

# GUIDE TO CONDUCTING AGENCY RISK SELF-ASSESSMENTS

For Washington State Agencies, Universities and Colleges

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WORKING DRAFT  
Until October 2002



STATE OFFICE OF  
RISK MANAGEMENT  
*Presents*

A LOSS PREVENTION  
APPROACH

USING RISK SELF-ASSESSMENT



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# GUIDE TO CONDUCTING AGENCY RISK SELF-ASSESSMENTS

## WORKING DRAFT CONCEPT

Office of Risk Management's (ORM) "*Risk Management Self-Assessment Guide*" was developed and published in the early 1990's. In 2001, the "*Loss Prevention Guide*" was published. By the end of 2001, revision work began on the Self-Assessment Guide, now called the "*Guide to Conducting Risk Self-Assessments*". Revision goals for the Guide include updating/expanding information and presenting it in a user-friendly format.

While revisions to this Guide were underway, an array of changes affecting state agency risk management unfolded, resulting in ORM's decision to initially publish the newly named "*Guide to Conducting Agency Risk Self-Assessments*" in "draft" form:

- April 2001 - Governor Gary Locke and Attorney General Christine Gregoire form the Risk Management Task Force to provide strategies for addressing the rapidly growing number and cost of tort claims made against Washington State Agencies.
- November 2001 - The Task Force issues its final report.
- One recommendation centered on statewide accountability, suggesting the State Office of Risk Management (currently under GA) be moved to the Office of Financial Management.
- December 2001 - Governor Gary Locke issues Executive Order 01-05, reiterating many of the key recommendations made by the Risk Management Task Force.
- February 2002 - Two other Task Force recommendations and the move of ORM are introduced and passed into law by the 2002 Legislature (ORM move to OFM effective July 1, 2002).
- March - April 2002 - Increased activity between the ORM and agencies, spurred by the executive order and new budget accountability procedures, brought *risk assessment* needs to the forefront.

### **AGENCY FEEDBACK ON THE DRAFT GUIDE WELCOMED!**

ORM encourages and welcomes agency comments from May – October, 2002, on the contents and format of the *Guide to Agency Risk Self-Assessments*. All suggestions will be considered for the final printing, targeted for late Fall 2002. This draft period also provides an opportunity to make required agency name and number changes when ORM moves to the Office of Financial Management.

**Please send comments to Jolene Bellows, Loss Prevention Manager, PO Box 41027, Olympia WA 98504-1027, or by calling (360) 902-7312 or e-mailing [riskmanagement@ga.wa.gov](mailto:riskmanagement@ga.wa.gov).**

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# PURPOSE

## ***About the Risk Self-Assessment Guide***

The “*Risk Self-Assessment Guide*” is published by the State Office of Risk Management (ORM). ORM has statutory authority for oversight of state government’s insurance program. An overview of the role and responsibilities of ORM appears on page 3.

The purpose of the “*Risk Self-Assessment Guide*” is to assist state government agencies in identifying their potential risk or exposures. Preventive actions to mitigate these exposures affords greater protection of employees and all citizens, particularly the state’s most vulnerable citizens. Note: The term “agencies”, used throughout this *Guide*, refers to all state governed entities, including state universities and community or technical colleges.

The “*Risk Self-Assessment Guide*” is a companion to ORM’s “*Loss Prevention Guide*”, which includes information for developing and implementing a loss prevention approach for state government agencies. As discussed in the “*Loss Prevention Guide*”, conducting a risk self-assessment is one of many important strategies for implementing an overall approach for managing loss in state agencies.

The workbook-style format of the “*Risk Self-Assessment Guide*” is intended as both an information source and a tool for conducting self-assessments. The right-hand margin of each page provides the following:

- Blank space that is handy for agency notes or comments.
- Helpful “tips or reminders” for carrying out the assessment.
- A “key” graphic denotes words or terms commonly used in risk management, and their definitions.
- A “clipboard” graphic denotes checklists, interview documents or other helpful tools for use in the data information collection phase of the assessment.
- A “signpost” graphic will signify documents or “samples” that agencies can review, modify, and adapt if they choose.

## ***Sources of Assistance or Additional Information***

- Questions about developing a loss prevention program or conducting a risk self-assessment can be referred to the Office of Risk Management’s Loss Prevention Manager at (360) 902-7312, or by e-mail to [riskmanagement@ga.wa.gov](mailto:riskmanagement@ga.wa.gov).
- Questions related to property loss specific claims, insurance premiums or property insurance can be referred to the Office of Risk Management’s Finance Manager at (360) 902-7301, or by e-mail to [riskmanagement@ga.wa.gov](mailto:riskmanagement@ga.wa.gov).

## ***Key Definitions***

***Risk*** - An uncertainty arising from the possible occurrence of given events.

***Risk Management*** - The practice of identifying and analyzing potential exposures to risk (or loss), and taking necessary action to avoid financial impact of those risks.

***Risk Self-Assessment*** - The self-assessment process is a focused, self-analysis of potential exposure to risk conducted by an agency for the purpose of avoiding loss through prevention and/or mitigation strategies.

## ***DISCLAIMER***

The “*Risk Self-Assessment Guide*” is made available for the use of all state agencies, boards, commissions, universities and community colleges to assist them in recognizing and managing their exposure to loss. It contains generic and general information for conducting a risk self-assessment. It is NOT intended to be all-inclusive or meet the specific needs of every state agency or college. Each agency or college is encouraged to adapt the use of these materials to fit their own exposures, policies, procedures and operations. It is highly recommended that agencies/ colleges consult with their Assistant Attorneys General (AAG) as members of their risk self-assessment team. AAG’s should also be consulted any time a self-assessment recommendation results in a change in agency policy.



- Questions or requests for assistance related to workplace safety and health issues pertaining to employees or workers' compensation insurance should be directed to the agency safety and health manager/representative. General information is also available from the Department of Labor and Industries (L&I) at [www.lni.wa.gov](http://www.lni.wa.gov). This web page offers information on local L&I contacts for both WISHA Services and Industrial Insurance or Workers' Compensation.

*Notes*



# INTRODUCTION

## ***State Agency Risk Management - A Partnership***

Managing risk in state government involves a partnership between the State Office of Risk Management (ORM) and individual state agencies. Statutes define ORM's role and responsibilities in managing the tort liability account and other statewide insurance coverages (see applicable statute references in the right margin). The scope of these responsibilities is described below. RCW 43.19.19368(1) specifically addresses agency actions necessary for focusing on loss control/prevention (see below right).

Risk is a major concern for public entities - state, counties, cities, etc. No public entity should avoid addressing risk because the public entity is perceived to be too small or has insufficient resources. The process that will be outlined in this Guide can be adapted to fit the needs of any public entity. Very small agencies may wish to scale back the activities, while larger agencies may wish to expand them. In addition, the process can be addressed in stages, beginning with areas of operation that historically produce the greatest risks, or can be implemented throughout the agency. Less important than the process itself, is that it is undertaken and a systematic process for making it a part of the agency business practices is implemented. Public entities that successfully integrate risk management into their organizational structures and daily operations strengthen their ability to deliver services and fulfill agency missions.

## ***About the Office of Risk Management***

The Office of Risk Management (ORM) was established in 1977 under RCW 43.19.1935-19366 in the Department of General Administration. In 1989 legislative change expanded those functions and a new set of comprehensive policies and guidelines governing tort claim management and loss control practices were incorporated in Chapters 43.19 and 4.92 RCWs. Legislative changes enacted in 2002, moved ORM from General Administration to the Office of Financial Management effective July 1, 2002. ORM provides a comprehensive risk management program for all state agencies. The scope of the program includes:

- Managing resolution of liability claims filed against the state.
- Administering the state's Self-Insurance Liability Program.
- Acquiring commercial insurance as necessary.
- Providing loss control and prevention services to the state agencies.
- Approving and regulating local government self-insurance programs.

### *Note*

The following are statutes to reference regarding state agency insurance, tort liability claims, premium account, and the authority and responsibilities of the State Office of Risk Management:

- 4.92.100 Tortious Conduct of State
- 4.92.130 Tortious Conduct of State
- 4.92.160 Payment of claims and judgment
- 43.19.1935 Insurance & Bond Procurement
- RCW 43.19.1936 (Risk Management – State Program)

Information on these laws can also be found in the *Loss Prevention Guide*, pages 26-31.

To review the complete text of these laws, go to [www.leg.wa.gov](http://www.leg.wa.gov).

### *Note*

State agencies shall provide top management support and commitment to safety and loss control, and develop awareness through education, training and information sharing. RCW 43.19.19368(1)



### ***The Self-Insurance Liability Program***

Coverage or services provided by the self-insurance liability program include:

- General liability coverage for tort claims.
- Recommendations for risk financing alternatives such as commercial insurance.
- Preparation of cost allocation formulas for premiums to be paid by state agencies to fund the tort liability account.
- Investigation and settlement of claims in coordination with the Department of Transportation (i.e., vehicle claims); and the Office of the Attorney General.
- Management of the database for all tort claims and incidents.
- Makes necessary claim payments.

### ***Insurance For Other Risks***

ORM assists agencies with other insurance needs, which include:

- Managing the master property policy
- Purchasing commercial insurance on a case-by-case basis for some of the liability risks that are excluded from the self-insurance program.
- Purchasing insurance for selected property coverages (medical malpractice, aviation).

### ***Loss Prevention (Control) Services***

Provides a variety of risk management resources and information to help agencies understand the importance of risk management, and how to apply a loss prevention approach that reduces exposures such as:

- Analyzes claims and loss history of agencies to identify patterns and trends generating risk for the state.
- Provides a loss prevention newsletter, workshops, and educational and training opportunities for agencies.
- Maintains a website to provide the latest loss prevention resources and information.

### **Notes**



# RISK MANAGEMENT BASICS

## THE FOUNDATION FOR RISK SELF-ASSESSMENT



### **Introduction**

Understanding the basics of risk management is necessary to set the stage for conducting risk self-assessments. This section of the Guide is designed to provide this foundation of knowledge with answers to questions such as “what is risk management”, and “what are the benefits”. The goal of this section is to show how risk self-assessment is one important facet of managing risk.

Information in this section will also provide a better foundation of understanding for completing the “Agency Risk Management Approach Checklist” on page 16.

### ***What is Risk Exposure?***

Risk is a natural part of life – it is inherent to us individually, and to every business and service organization. No matter what the nature of the business is, there is some element of risk exposure, and government is no different. State government (and government in general) provides unique operations and services. These include prisons, protection of children and vulnerable adults (including an array of social programs), construction and enhancement of transportation infrastructures (highways and ferries) - to mention a few. The level and types of potential risk varies among agencies, and in many instances within agency operations. There are different risks to managing highways than there are to administering unemployment benefits. However, regardless of the agency mission, risk exposure must be identified and managed as other elements of operation are managed to protect the state’s employees and citizens, and its financial assets.

### ***What is Risk Management?***

Risk Management involves the creation of a systematic approach for treating pure risk identification and analysis of exposures, selection of appropriate approaches to handle exposures (retention, contractual or non-insurance transfer, loss control, avoidance, and insurance transfer) All risk management approaches or techniques start with a basic premise or goal of reducing or eliminating exposures wherever possible, and establishing a method of paying for loss should it occur. Simply stated, risk management is the chosen method of handling the exposures faced by an agency. Effectively managing risk requires a vision that in turn fosters an environment that “acts” rather than “reacts” to avoid loss.

### ***Key Definitions***

**Loss** - An unintentional decline in or the disappearance of value arising from a contingency (event).

**Risk Exposure** - The possibility of a loss.

**Excess Insurance** - Insurance coverage above the self-insured retention of the state’s liability account.

**Risk Management Techniques** - Methods for treating pure risks. Includes retention, contractual or non-insurance transfer, loss control (prevention), avoidance, and insurance transfer.

### **Notes**





## ***What are the Benefits of Managing Risk Exposure?***

- ***Protection of People***

First and foremost, risk management practices are aimed at the protection of people (the state's employees and its citizens) from harm - injury or death.

- ***Reduction of Insurance and Related Costs***

In general, appropriate risk prevention/control activities can reduce agency expenditures for liability, property, employee, and environmental losses by controlling the frequency and severity of incidents that result in claims. In 2000, the State of Washington saw unprecedented payouts for tort claim losses that occurred in agencies. Escalating costs of judgments, coupled with expanded liability for the state, contributed to these overall increases. This subsequently increased excess insurance coverage in an already difficult market.

- ***Improved Efficiency (Embraces Total Quality Principles for Improved Service Delivery)***

Like private sector companies, Washington State agencies are implementing quality programs to enhance services to its customers - the citizens of the state. The premise of the quality approach is to tweak organizational processes to increase overall efficiency with goals of improving service delivery and generating higher customer satisfaction. These goals are in alignment with risk management, which is a process to **reduce or control losses**. Both principles are based on creating effectively managed organizations. By working efficiently and effectively, precious tax dollars are stretched further, resulting in more protection to the state's citizens, its employees, and its overall economic health.

## ***What is the Challenge of Managing Risk?***

Since almost anything an agency owns, leases or does **creates risk and potential for loss**, this means that managing risk must be integrated into agency operations at every level. Failure to recognize multiple and often complex exposures, some unique to state government, can have a profound effect on any agency resources, potentially negatively impacting services or programs the agency or college is mandated to provide. The challenge for agencies is first accepting the concept that risk **can** and **must** be **aggressively managed** on an **ongoing basis**, and secondly seeking innovative and creative methods that both identify loss and prevent or mitigate it.

### *Key Definitions*

**Loss Prevention** - A risk management technique that seeks to reduce the possibility that losses will occur and reduces the severity of those that do occur.

**Loss** - An unintentional decline in or the disappearance of value arising from a contingency (event).

### *Notes*



## ***Is There Cost Associated with Managing Risk?***

The cost of managing risk varies. Implementing loss prevention measures for a small agency with low risk exposure may involve minimal investments such as tweaking operational procedures; purchasing a certain type of insurance; or training certain employees. An agency that identifies medium to high risk exposure will likely require more complex operational improvements such as the purchase of equipment, development of technologies, possibly major staffing or FTE considerations, etc. Investing in loss prevention may also result in costs such as:

- The cost of investigation, defending, and settling of claims brought by an injured party.
- The cost of administering the agency risk management efforts (i.e. conducting a risk self-assessment, reviewing/modifying agency policies, procedures or guidelines, etc.
- The cost of purchasing insurance or other risk financing to protect against certain types of loss.
- The cost of controlling risk by such methods as ergonomically designed workstations; special stair rails; sprinkler systems; well-designed signing and lighting; well-maintained walking surfaces; employee training, etc.

## ***Does Every Agency Need a Risk Manager?***

Often the world of insurance, loss prevention (loss control), safety and health, security, and emergency management is the domain of risk or safety and health managers who are directly responsible for managing or coordinating activities pertaining to the protection of people and property for their organization. Some agencies may be small, have minimal risk exposures, or don't have the financial resources to devote to a fulltime risk management or safety and health position. However, every agency does need to establish a "role" for risk management within its operations with a goal of addressing it on a proactive, rather than a reactive, basis. Agencies may choose to assign the risk manager responsibilities as an additional duty to an existing position, or address it with a risk management committee or team made up of key agency staff. Regardless of the approach taken, the critical element is that accountability ***for managing risk is established***, and procedures are in place to maintain it as a high priority throughout the agency operations.

## ***Does the Risk Management Function Vary in Agencies?***

Agency mission, size, and organizational structure vary, and so does the way in which agencies choose to organize their risk management function. Variations may include:

## ***Considering the Cost of Risk Management***

Although some identified items may involve extensive changes, other risk reduction techniques such as mirrors, guards, fire extinguishers, computer security, and safety equipment are relatively inexpensive to effectively reduce potential loss. On the other side of the coin, some identified risks require far more expensive methods for prevention or mitigation. However, when compared with a cumulative cost of injuries or the occurrence of a catastrophic or unforeseen loss, the cost may be negligible.

Exposure to risk is greater unless managing risk is considered a necessary part of doing business, and must be integrated into the agency's business planning and operations. Preventing and controlling losses saves direct (premium and claim) and indirect (business interruptions caused by accidents, damages, staff time to investigate claims or prepare for lawsuits, etc.) costs.

## **Notes**



- ***Total Risk Management Umbrella***

A risk management organization that has a wide umbrella including tort liability, property and commercial insurance, workers' compensation, workplace safety and health, security, emergency management, etc., all managed under one program. Generally suited for larger agencies.

- ***Separate Program Management***

A risk management organization managed in two separate programs. These major divisions include: 1) tort liability, property and commercial insurance managed by a risk manager or agency finance officer/business manager; and 2) workers' compensation, workplace safety and health, security and emergency management managed by a safety and health manager or the human resources manager (or operation). Generally suited for large and medium sized agencies. Since elements of risk management can overlap, it is important that separate programs communicate regularly and coordinate activities where indicated.

- ***Variation of Separate Program Management***

A variation of the above organization is: 1) tort liability, property and commercial insurance managed by the business/administrative or finance office; and 2) safety and health, security and emergency management managed by a financial manager. Generally suited for medium sized agencies and some colleges.

- ***Integration into Overall Agency Management***

May be a variation of the above examples that simply assigned oversight of the various functions mentioned above with the financial and human resources offices or others in the agency as meets agency needs. Generally suited for small agencies.

Regardless of the organizational structure chosen to manage agency risk, support, involvement and communication from executive level management is the key to effectively mitigating loss.

## ***What is a Risk Management Policy Statement?***

The foundation to a loss prevention approach - management commitment to and priority for managing risk through prevention or mitigation strategies - can be promoted and publicized by developing an agency risk management and/or loss prevention policy statement.

There is no standard format recommended for policy statements, as each agency needs to individually reflect their approach. However, page 13 provides several samples of policy statements that can be modified as needed. Policy statement samples are also provided in the "Loss Prevention Guide".

## ***Notes***

### ***Note***

See page 13 for samples of risk management policy statements.

See pages 14-16 for a brief policy and procedure sample.

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## ***What Major Activities Contribute to a Risk Management Approach?***

- ***Management Commitment***

Establishing commitment and accountability for preventing or mitigating the efforts of loss through:

- ✓ Defining risk management roles and responsibilities
- ✓ Establishing risk management policies and procedures
- ✓ Setting risk management goals and measures

- ***Identifying Exposure to Risk***

Identifying potential types of losses that could impact the agency:

- ✓ Loss to state property
- ✓ Vehicle accidents
- ✓ Damage to the property of someone outside state government
- ✓ Bodily injury to an employee or citizen
- ✓ Personal injury to an employee or citizen (e.g., discrimination)
- ✓ Contractual exposures
- ✓ Cost to defend a lawsuit

- ***Identifying Risk Prevention or Mitigation Strategies***

The primary methods to address exposures to risk are 1) controlling the risk; and/or 2) financing the risk. Choosing the most appropriate method to handle an exposure to loss requires an understanding of the risk control methods available, combined with the goals of the agency. The following outlines key components to risk control and risk financing:

- ***Controlling Risk***

- ✓ Performing risk assessments
- ✓ Conducting safety inspections
- ✓ Developing education and training programs
- ✓ Devising preventive maintenance programs
- ✓ Developing emergency response and preparedness programs
- ✓ Making improvements in overall loss control and safety and health methods

- ***Financing Risk***

- ✓ Purchasing commercial insurance for certain types of risk
- ✓ Self-insuring most public liability exposures
- ✓ Insuring most work-related exposures through Labor and Industries' Workers' Compensation Insurance
- ✓ Participating in Labor and Industries' Retrospective Rating Program, when appropriate

### *Key Definitions*

***Risk Financing*** – Achievement of the least-cost coverage of an agency's loss exposures, while assuring post-loss financial resource availability.

***Frequency*** – The number of times an event (whether it results in a dollar loss or not) has occurred in a given timeframe.

***Severity*** – The extent of the damages or injury usually reflected in costs. The more severe the nature of the injuries or damages, the greater the cost.

### *Note*

More detailed information on identifying risk exposures is discussed later in this Guide.

### *Notes*



## ***How are Selected Risk Management Methods Implemented?***

- ***Roles and Responsibilities Identified***

Determination of roles and responsibilities of staff in the agency that will be responsible for overseeing or coordinating risk management activities, e.g., risk manager, person assigned risk management duties, risk management committee or team, etc.

- ***Policies and Procedures Developed***

Policies, procedures, or agency guidelines ***tailored to agency needs*** are developed.

- ***Agency Staff Informed/Trained***

Staff at all levels understand the commitment, goals, and established responsibilities for managing agency risk.

## ***How are Risk Management Results Monitored?***

- ***Risk Self-Assessment Findings and Recommendations - Including Follow-Up Action Necessary***

Reviewing results and follow-up at a prescribed time after a risk self-assessment has been conducted. Then determining whether results show effectiveness or need for modification and modified action plan developed.

- ***Periodic Review***

Ongoing (quarterly or semi-annual) review of loss history data, goal measures, or other methods deemed appropriate to determine if agency loss frequency and severity is being lowered and/or kept in check.

- ***Annual Report to Executive Management***

Annual report or executive management briefing that provides an overview of agency loss prevention or mitigation initiatives and progress, loss data charts, profiles and/or updates of significant losses, discussion of continuing issues or challenges, etc.

*Notes*



## ***What Measures can be Used to Monitor Risk Management Success?***

Notes

- ***Administration of Risk Management in Agency***
  - **Workload Measures**
    - ✓ Number of documents reviewed for risk transfer or assessment (RFPs, contracts, certificates of insurance)
    - ✓ Number of meetings with program managers to discuss risk management and recommend changes
    - ✓ Risk assessment consultations conducted
  - **Efficiency Measures**
    - ✓ Number of times risk management performance is reviewed with executive management
    - ✓ Percentage of managers receiving training or general information on risk management, loss prevention, and the agency's risk management goals
  - **Effectiveness Measures**
    - ✓ Cost of risk (e.g. premiums, safety programs, deductibles, retentions, uninsured losses, risk management administration) per capita
    - ✓ Cost of risk as percent of total budget
- ***General Liability and other Non-Auto Liabilities***
  - **Workload Measures**
    - ✓ Number of claims filed against the agency
    - ✓ Liability claims closed with no payment
    - ✓ Number of claims closed without litigation
    - ✓ Number of new legal claims (involves lawsuits)
    - ✓ Pending legal claims
  - **Efficiency Measures**
    - ✓ Percent of auto liability claims closed within 12 months
    - ✓ Average number of days to respond/follow-up to auto liability claims
  - **Effectiveness Measures**
    - ✓ Percent of general liability claims closed with no payment
    - ✓ Percent of general liability claims resolved before a lawsuit is filed
    - ✓ Percent of general liability claims closed without litigation
    - ✓ Total general liability claim costs



- **Fleet Management**

- **Workload Measures**

- ✓ Number of vehicle accidents
    - ✓ Total number of vehicle accident claims (accidents per month)
    - ✓ Automobile liability - bodily injury (number of claims, notice of claims, lawsuits)
    - ✓ Automobile liability - property damage (number of claims, notice of claims, lawsuits)
    - ✓ Number of vehicle accidents by program

- **Efficiency Measures**

- ✓ Percent of auto liability claims closed within 12 months
    - ✓ Average number of days to respond/follow up to auto liability claims

- **Effectiveness Measures**

- ✓ Vehicle accident rate per miles driven
    - ✓ Average cost per claim for automobile
    - ✓ Preventable vehicle accidents as a percentage of total
    - ✓ Percentage of state vehicle collisions in which the state driver is at fault

Notes





# DEVELOPING A RISK MANAGEMENT POLICY STATEMENT

There is no standard, recognized format for a risk management policy statement, nor is there a specific requirement that any agency publish a statement. However, it is a method that agencies can use to demonstrate 1) their recognition of the importance managing risk management plays in effectively carrying out the agency mission; and 2) a commitment to developing and implementing risk management strategies.

The following are risk management policy statements that agencies can adapt as needed. The name of the state agency is inserted where blanks appear.

## ***Sample Risk Policy Statement No. 1***

(AGENCY) recognizes its responsibility to manage public funds in a responsible manner, which includes identifying, addressing and appropriately managing any risks that may affect 1) the safety and well-being of its employees and citizens; 2) its financial stability; 3) its ability to achieve its mission of providing services to citizens; or 4) its ability to be a responsible partner in the community.

(AGENCY) further recognizes that, as a public entity providing a wide range of service, it engages in operations that may carry significant risk and that are also subject to disruption. Although risks are unavoidable, (AGENCY) considers no loss or interruption of services to be acceptable.

Therefore (a *risk manager, risk team, risk committee or other description of the risk management coordination scheme for the agency*) is established and empowered to assess risks that may arise from or affect (AGENCY) operations and activities on behalf of its citizens, and to make recommendations to (*agency director, governing body, college president, etc.*) concerning those risks. All (*division, program, department, etc.*) operations are required to cooperate with and support (AGENCY)'s risk management effort.

## ***Sample Risk Policy Statement No. 2***

(AGENCY) recognizes its role in protecting the assets of the organization. This policy identifies 1) the value of risk management; 2) the scope of the agency risk management program; 3) the authority and responsibility of the agency risk manager; and 4) the acceptable levels of self-insurance, commercial insurance and retained risk.

The agency risk manager (*or other person or position designated to handle risk management by the agency*) has the responsibility of directing and coordinating all risk functions in the agency. The agency risk manager shall identify and treat all exposures that could result in financial loss to the agency of the state.

All agency managers are responsible for advising the agency risk manager of changes in facilities and programs that have the potential to create risk for the agency or the state. In addition, they shall report all losses and claims, regardless of size, to the risk manager or designated claims agency.

This policy applies to (note the application) liability, property, fidelity and workers' compensation. It does (or does not) apply to employee benefits.

## ***Note***

Sample risk management policy statements are also available in ORM's "Loss Prevention Guide" on pages 24 and 25.



# DEVELOPING A RISK MANAGEMENT PROCEDURES OUTLINE

## ***What Measures can be Used to Establish A Risk Management Approach***

### ***Overview of Risk Management Strategies or Sample Written Policies (or Procedures)***

The following sample provides assistance to agencies in two ways:

- ***Ideas on Organization and Implementation:*** Provides ideas on how a risk management focus can be organized and carried out by an agency.
- ***Ideas on Written Format:*** Provides sample language (with modifications as desired) for agencies choosing to reflect or emphasize their risk management focus through written policies or procedures.

### ***Note***

If the agency chooses to develop a written risk management policy statement (per samples shown on page 12), the policy statement could be used in place of the information presented in the *Value/Benefit Section*. If desired, a risk management policy statement could serve as both an overview and an introduction to the agency written risk management procedures or policies.

### ***(Agency Name) Risk Management (Policy) Procedure***

#### ***Value/Benefit of Risk Management***

Risk Management should be considered an integral part of total management in recognition of the need to provide financial resources should the agency realize loss.

#### ***Scope of the Agency Risk Management Approach***

The agency risk management office (risk manager) has the responsibility for directing and coordinating all risk functions in     (AGENCY)    .

#### ***Roles and Responsibilities of the Agency Risk Manager***

The agency risk manager has the authority, with the limits of established policies and procedures, and in coordination with the Office of Risk Management, to supervise and/or administrate the functions and perform the duties as described below:

- ***Administrative***
  - ✓ Advises management on potential loss exposure to the agency.
  - ✓ Prepares periodic reports for management on status of risk management.
  - ✓ Assists in establishing or modifying risk management policy for the agency.
  - ✓ Provides ongoing and periodic communication to executive management and agency managers regarding risk management concerns or issues.

- ✓ Establishes and maintains records pertaining to insurance coverage, claims, loss experience (including real and personal property reporting), and other risk management-related information. Submits appropriate records to the State Office of Risk Management if requested.
- ✓ Works with the legislative liaison and the Office of the Attorney General to review and analyze changes in state and federal legislation regulations and current case law as it applies to tort liability, workers' compensation and other related insurance issues.
- ✓ Reviews contracts, particularly those sections addressing indemnification and hold harmless agreements with the State Insurance Administration (ORM) and the Office of the Attorney General when questions arise.
- ✓ Maintains a central file of records to include: record of property values, fire maps, building information, safety or risk inspections, and similar reports.
- ✓ Maintains an ongoing "risk management relationship" with agency divisions, sections, departments, etc. Provides assistance or guidance to agency staff on insurance loss prevention (loss control) measures and risk management administrative concerns.
- ✓ Reviews proposed facilities plans, programs or other agency initiatives for the purpose of identifying potential risk for the agency.

- **Finance**

- ✓ Self-Insurance Liability Program (SILP)
  - Develops knowledge of the funding mechanism necessary to cover losses arising out of agency operations. Continually monitors loss experience and resulting premiums paid by the agency. Assesses the impact of premium costs on the agency's operating budget.
  - Allocates state liability fund premium, insurance costs and claim related costs among the agency divisions, sections, departments, etc., as established by agency fiscal policies.
  - Participates in loss review and mitigation strategy planning sessions, particularly when strategies involve high level funding issues or appropriations that significantly impact agency budgeting.
- ✓ Commercial Insurance
  - Ensures there is adequate insurance coverage based on the unique needs of the agency, e.g., personal property, electronic data processing equipment (EDP), medical malpractice, aviation, etc.
  - Consults with the Office of Risk Management for assistance with or with questions about commercial insurance.

- **Loss Prevention (Loss Control)**

- ✓ Identifies facilities, operations, situations, and events, etc., which are likely to cause loss to the agency.
- ✓ Performs periodic inspections of key facilities.
- ✓ Prepares recommendations and provides assistance to agency managers on preventing losses.

- ✓ Analyzes loss data and prepares reports or briefings on the losses for the following purposes:
  - To focus on agency-wide policies and procedures that require changes or improvements to mitigate risk exposure.
  - To advise capital planning staff of needed improvements in facilities.
  - To determine the nature and extent of required employee training.
  - To determine the need to implement specific programs or focus on areas of current or potential loss such as a vehicle safety program.
  - Examine and analyze program level policies, procedures, or work methods that have or might create a potential risk.
  - Coordinate with agency workplace safety and health manager/coordinator to ensure loss prevention efforts also focus on reducing employee injuries, vehicle accidents, and third party claims.
- **Claims Management**
  - ✓ Tort Liability – Directs claimants making tort liability claims against the agency to report their claims to the Office of Risk Management. Acts as liaison between the agency, the Office of the Attorney General's Torts Division, and the Office of Risk Management to provide information about or assist with agency records that may be required in the defense or settlement of the claim or suit. Also monitors:
    - Claim activities (including defense and settlement status of lawsuits)
    - Investigation findings
    - Liability exposures
- **Workers' Compensation**
  - ✓ Monitors type and nature of employee injuries and illnesses, notes trends and ensures prevention strategies are initiated.
  - ✓ Monitors agency's efforts to provide adequate information and assistance to injured workers pertaining to their benefits, rights, and responsibilities.
  - ✓ Monitors "open" and "closed" status of claims and coordinates with L&I to close claims in a timely manner.
  - ✓ Monitors the effectiveness of the agency's return-to-work program.
  - ✓ Monitors claims that involve third party recovery.
- **Legal Defense on Lawsuits and Settlements**
  - ✓ Works with the Office of Risk Management and the Office of the Attorney General when claims involve major losses or require legal expertise.



# AGENCY RISK MANAGEMENT APPROACH CHECKLIST

Information presented in the *Risk Management Basics* section was provided for two purposes: 1) To inform agencies of typical strategies for managing risk (including a discussion of benefits and costs); and 2) To underscore the importance of the **risk self-assessment process** as one of its key components.

Therefore, it seems fitting that one of the first assessments an agency would perform in the self-assessment process is an evaluation of their overall agency approach to risk management. The following checklist is provided for that purpose.

### ***Risk Management Policy***

☐ Yes ☐ No

Is there a risk management policy statement? (See a sample policy on page 13, or in the Office of Risk Management's *Loss Prevention Guide*)

☐ Yes ☐ No

Is the policy signed by the agency director or college president?

### ***Risk Management Procedure***

☐ Yes ☐ No

Are the benefits of risk management communicated to (and recognized by) all agency managers? Is this message reflected in an agency policy or procedure that explains that the purpose is to provide financial resources should a loss occur?

☐ Yes ☐ No

Has the role and responsibility of the agency risk manager, or staff assigned the risk management duties, been defined? Does the agency risk manager have the authority, within the limits of established policies and procedures (working in conjunction with the Office of Risk Management) to supervise the functions and perform the following duties:

#### **Administrative**

☐ Yes ☐ No

Advises management on agency's potential loss exposures.

☐ Yes ☐ No

Prepares periodic reports for management review.

☐ Yes ☐ No

Assists in the formulation and implementation of a risk management policy for the agency.





# **AGENCY RISK MANAGEMENT APPROACH CHECKLIST**

☐ Yes ☐ No

Reviews agency contracts, particularly those sections addressing indemnification and hold harmless agreements, with ORM and the agency AAG.

☐ Yes ☐ No

Maintains working relationships with agency divisions and sections. Advises on insurance, loss control measures and risk management administrative concerns.

☐ Yes ☐ No

Reviews proposed facilities, programs, and other activities under consideration by the policy-making bodies of the agency for risk management considerations or analysis.

#### **Finance**

☐ Yes ☐ No

Develops knowledge of funding mechanism necessary to cover losses arising out of agency operations. Monitors experience and resulting premiums paid by the agency.

☐ Yes ☐ No

Allocates state liability fund premium, insurance costs and claim-related costs among the agency divisions, as directed by the agency.

#### **Loss Prevention (Control)**

☐ Yes ☐ No

Identifies facilities, operations, and situations that are likely to cause loss for the agency.

☐ Yes ☐ No

Regularly inspects key facilities.

☐ Yes ☐ No

Prepares recommendations and provides assistance in preventing losses.

☐ Yes ☐ No



# **AGENCY RISK MANAGEMENT APPROACH CHECKLIST**

☐ Yes ☐ No

Works with agency safety and health program managers to establish and maintain a “coordinated” approach to reducing employee injuries, vehicle accidents, and third party claims.

### **Insurance**

☐ Yes ☐ No

Secures and coordinates insurance coverage needed by the agency through the Office of Risk Management.

### **Claims Management**

☐ Yes ☐ No

Directs tort liability claimants making claims against the agency to report their claims to the Office of Risk Management. Acts as a liaison between the agency, the Attorney General's Office Torts Division, and the Office of Risk Management to provide information in agency records that may assist in the defense or settlement of a claim or suit.

☐ Yes ☐ No

Monitors the following:

- ☐ Tort claims activities (including defense and settlement status of lawsuits)
- ☐ Investigations/findings for accidents/incidents
- ☐ Liability exposures
- ☐ Workers' compensation claims and return-to-work program

☐ Yes ☐ No

Works with the Office of Risk Management and the Attorney General's Office when major losses occur or there are program issues that need to be reviewed.





# THE RISK SELF-ASSESSMENT PROCESS

## ***Introduction***

This section of the Guide provides information about the self-assessment purpose and outlines steps for conducting the process itself to include preparation of the final report and recommendations, action planning, and follow-up. An array of checklists is provided to help agencies through the information gathering and analyzing phase of the process.

## ***What is the Objective of a Risk Self-Assessment?***

As discussed in the prior section of this Guide, performing risk self-assessments is one method of “controlling risk” to avoid losses. A risk self-assessment is the process for evaluating **potential** exposures to loss faced by any organization, business, or state government agency.

## ***What are the Benefits of Conducting a Self-Assessment***

Self-assessments ultimately reduce agency costs, and instill taxpayer confidence in the quantity and quality of services provided. On the economic side, losses consume limited and valuable agency resources. The risk self-assessment process is designed to help agencies identify potential loss exposures, so that proactive steps are taken to prevent or mitigate their effect. This benefits agencies in a number of ways:

- Avoids injury, harm or death to state employees or citizens.
- Reduces cost of claims and their related premiums (lower insurance costs), resulting in more state dollars for program operational needs.
- Increases employee productivity.
- Continues vital business services without interruption.
- Reduces downtime for vehicles or closures of facilities, etc.
- Increases taxpayer satisfaction and confidence in the services delivered by state agencies.

## ***Are All Risk Assessments the Same?***

Again, agency needs as determined by nature of activities (high vs. low risk), loss history, and potential new exposures on the horizon, are all indicators that will help dictate the size and scope of the self-assessment.

## ***Notes***



The following describes two general categories of assessments:

### 1. **Formal Risk Assessment**

This type of assessment is generally conducted by a neutral party from outside the agency (contractor). In addition, this assessment is a more structured and detailed analysis of one or more complex issues, agency operations or specific high-risk areas. A formal assessment is a tool that creates a comprehensive picture of an agency's risk potential so that management has a thorough understanding of its exposures and the measures needed for reducing risk. It may include one or more of the following:

- An analysis of all potential hazards.
- An analysis of one particularly high risk or unique exposure.
- A review of agency contracts.
- An evaluation of current insurance coverage and exposures.
- A study of agency security.
- A review of employee safety & health programs and procedures.

A report or series of reports is provided to the agency as part of this process. The reports identify potential exposures and often include recommendations for changes in a program that are designed to achieve **future savings** when the loss prevention or control strategies are fully implemented.

### 2. **A Risk "Self"-Assessment**

This self-assessment is a scaled-down version of the more formal risk assessment, and is conducted **in-house** by agency staff. It generally identifies potential liability, property, employee and security losses. It involves a detailed review of contracts, agency claims management procedures, and risk management policies and procedures. It may point out areas of risk that need to be treated with a more formal risk analysis or assessment, as discussed above.

In both cases, the goal of the assessment is to identify potential areas of exposure for the agency, with recommendations for avoiding or mitigating loss.

## ***What are the Essential Elements of the Self-Assessment Process?***

### • **Executive Support/Involvement**

It's critical. Ensure there is executive involvement and support throughout the self-assessment process of identifying the cost of risk and the need for appropriate techniques to reduce or eliminate exposure. It is important that the self-assessment process is viewed as a **positive measure for the entire agency**. Having executive involvement will set that tone.

## **CAUTION**

Information in these reports may be subject to public disclosure and could be used by tort claimants against agencies. Agencies should involve AGO in the assessment process.

## Notes

## *Note*

Agencies may choose additional objectives based on specific needs or requirements.





- **Clearly Identified Objectives**

Identify the basic objectives for conducting an agency risk self-assessment. They can include:

- ✓ Identifying potential loss.
- ✓ Determining methods for controlling loss.
- ✓ Complying with legal requirements.
- ✓ Minimizing the total cost of risk.

- **Establishment of Self-Assessment Size and Scope**

The size and scope of the assessment will vary based on the needs of the agency. Review of historical loss profiles; current risk trends/court case decisions; types of agency operations or programs; organizational changes being planned; or new mandates being established are factors that will help agencies determine the size and scope of the self-assessment needed.

“Scope-creep” is avoided if the self-assessment stays on track with its original design and parameters. Allowing the scope to gradually broaden may lead to delays and confusion that will compromise or frustrate the intended results.

- **Resource Allocation**

The resources needed for the self-assessment will vary according to the size and scope of the self-assessment, and the objectives or goals established by executive management.

### ***Are There Guidelines for “Staffing” the Risk Self-assessment Process?***

Again, individual agency needs, objectives, constraints, and goals for conducting the risk self-assessment dictate the number of staff needed and the role of those involved. Agencies may choose to designate a risk self-assessment coordinator from those selected to serve on the risk self-assessment “team”.

Consider the following attributes when selecting the agency risk self-assessment coordinator:

- He/She is at a supervisory or higher position and has total support and confidence of agency executives.
- Has good analytical skills.

Notes



- Has background on a general understanding of commercial insurance or risk management (helpful, but not required).
- Specific experience or training in property or casualty insurance areas of loss control, claims or underwriting is a definite advantage.
- Currently works in a related position in the agency, i.e., risk manager, safety program manager, internal auditor, business manager, etc.
- Will carry out the risk self-assessment as defined by the objectives.
- Has or is granted the authority to involve additional members or others in the risk self-assessment if the need arises or is necessary to meet goals or objectives.

### ***How Should the Attorney General's Office (AGO) be Involved?***

Consult with the agency attorney general staff to establish involvement and participation in the self-assessment process. The involvement may include review of documents, cases, and findings, preparation of documents, participation in presentations, etc. AG review will be imperative if any changes to agency policies or procedures result from the self-assessment findings. Agency attorneys may choose to confer with Torts Division attorneys to discuss potential liability or critical issues for the agency on liability exposures and their prevention.

### ***What are Some Key Planning Tips for Getting Started?***

The following parameters can be used to help agencies identify the nature and size of the risk self-assessment needed:

- ***Agency Focus***

Determine if the assessment needs to be broken into small sections or focused on specific divisions, potential risks, or other agency-specific criteria.

- ***Complexity***

Determine how comprehensive the assessment will be (i.e., one or two agency functions; overview of the entire agency; single, but in-depth evaluation of one critical topic, etc.).

- ***Timeline***

Determine target dates for completion of the risk self-assessment and report of findings.

## **Notes**

### ***Note***

Agency Attorney General staff involvement is recommended for any risk assessment activity.



# ANALYZING RISK EXPOSURE

## RISK TYPES AND SOURCE GROUPS



### ***Potential Exposure for Tort Claim Loss***

### ***Notes***

The following are broad categories of loss that may result in a tort claim or incident being filed against an agency. Under each major category is a subject heading that is a loss "type" category description used by the Office of Risk Management in the claims database for tort claims/incidents filed against state agencies. Examples of tort loss claims filed against agencies are provided to promote greater understanding of the type of loss reflected by the categories.

#### ***Alleged Acts or Omissions by State Agencies***

- **Bodily Injury** - Actual physical damage to the person or body of the claimant such as a cut, bruise or broken limb, claimed to have been caused by the acts or omissions of the state or its employees. For classification purposes, if a claimant alleges having received both bodily and person injuries, the bodily injury claim would take precedence.

**Example:** Claimant slipped and fell on an uneven sidewalk, injuring her knee and hand.

- **Personal Injury** - Non-Physical (non-bodily) injuries to a claimant which would include psychological injuries, mental suffering, stress, monetary loss and damage to reputation included alleged violations of person rights such as those caused by libel and slander.

**Example:** A state employee made an obviously untrue, false and slanderous statement about the claimant, damaging the claimant's reputation.

- **Wrongful Death** - A claim brought by a deceased person's beneficiaries alleging that the death was attributable to the alleged willful, omitted or negligent actions of a state agency or any employee.

**Example:** Claimant (estate of) is killed as a result of what was alleged to have been the improper supervision of a parolee under supervision of a state agency.

**Example:** Claimant was killed as a result of an automobile accident, allegedly caused by the improper maintenance and design of a highway.

#### ***Property Loss***

- **Personal Property Loss** - Damage or loss of claimant's personal (real) property as a result of the claimed acts or omission on the part of a state agency or its employees.

**Example:** Claimant's property was lost while in the care, custody and control of a state facility.



### **Personnel or Workforce Loss**

- **Civil Rights** - Claimed violation of personal and natural rights, guaranteed and protected by the Constitution (i.e., freedom of speech, religion, press, freedom from discrimination, right to privacy).

**Example:** Claimant, who is a state employee, alleged that she was the victim of workplace discrimination based upon her sex and religion.

**Example:** Claimant alleged that a state university violated her rights to free speech when university staff censored claimant's article in the school newspaper.

### **Government Activities and Services**

- **Hospital Liability** - Liability to an agency arising from the acts or omissions of a medical nature by professional and non-professional employees in a hospital setting. This would include situations whereby hospital policies or procedures may or may not have been followed.

**Example:** Claimant alleges that she was injured as a result of the alleged medical malpractice of hospital staff.

### **Contracts and Legal Relationships**

- **Breach of Contract** - Claimed failure on the part of the state, without legal excuse, to follow through or perform on a promise that forms or formed a contract or any part of a contract.

**Example:** Claimant alleges that the state failed to comply with provisions of a contract, resulting in a loss of revenue to claimant's business. Typically these claims are not tortious in nature.

### **Regulations and State Government Mandates**

- **Abuse of Process** - A claim involving the actions of a state agency or employee resulting from the claimed excessive or improper use of any system of rules or laws to such a degree that the actions could be termed as a misuse of the authority or power of the agency.

**Example:** Claimant alleges that a state agency caused a \$50,000 loss to his business as the result of an unwarranted seizure of his property pursuant to the issuance and service of a search warrant.

- **Takings** - Claimant is alleged to have suffered a diminishing of property values as a result of the application of state land regulations.

**Example:** A state agency cites various regulations as a basis for their denial of claimant's request to obtain a permit to develop his property. Typically these are "regulatory" claims, and do not involve the tortious actions on the part of the state.

### **Notes**



### **Marine Related Exposures**

### Notes

Includes damages, injuries or losses that occur to Washington State Ferry System or other marine employees, patrons, and property. Examples are not provided, as the descriptions are self-explanatory.

- **Marine Crew Injury** - Bodily injuries sustained by an employee or crewmember received while onboard a state ferry or other marine vessel. This includes Jones Act claimants in which negligence or tortious conduct on the part of the state has been alleged as the cause of the claimed injuries.

**Example:** A state employee working aboard a ship slips and falls, injuring her back. Normally, the *Workers' Compensation* program would be an employee's sole entitlement (remedy) for injuries sustained on the job, however, an exemption is made for maritime employees who are entitled to seek and recovery damages for their injuries through the tort process.

- **Marine Crew Property** – Damage to personal property owned by an employee or crew member which occurred on a state ferry or other marine vessel.

**Example:** A wall has been freshly painted aboard a state ferry. A state employee of the WSDOT Marine Division, not realizing that the paint was fresh because of the lack of a "*Fresh Paint*" sign, leans up against the wall and the paint damages his shirt.

- **Marine Terminal Injury** - Bodily injuries sustained to a patron while onboard a state ferry terminal or other terminal used for marine purposes.

**Example:** A passenger at a WSDOT marine terminal slips and falls on a wet step.

- **Marine Terminal Property** - Damage to the personal property of a patron while at or in a state ferry terminal or other terminal used for marine purposes.

**Example:** A wall has been freshly painted aboard a state ferry. A ferry patron at a WSDOT marine terminal, not realizing that the paint was fresh because of the lack of a "*Fresh Paint*" sign, leans up against the wall and the paint damages his shirt.

- **Marine Vessel Injury** - Bodily injuries received by a patrol while aboard a state ferry or other marine vessel.

**Example:** A passenger on a ferry slips and falls while walking on an oily deck.

- **Marine Vessel Property** - Damage to personal property of a patrol while aboard a State ferry or other marine vessel.

**Example:** Claimant's vehicle accidentally struck an overhead projection as it was being directed into a parking area by a marine division employee.



## ***Potential Exposure for Commercially Insured Losses***

The following are broad categories of loss that may result in a claim being filed against a commercial insurance policy.

- ***Natural Hazards***

Winter storms, earthquakes, windstorms, fire/wildfire, floods, volcanic eruptions, drought, erosion, landslides, etc. Can result in property damage to equipment, buildings, and infrastructure, business interruption risks, disruption of vital services (transportation, medical care, power and utilities, etc.). Some incidents may be specifically excluded from coverage.

- ***Financial Operations***

Cash handling, financial transactions, financial records, and citizen records. Loss can result from errors, internal and external theft, mishandling, etc.

- ***Property Loss***

Loss of property may result in many ways. The following are a few examples of risk sources for property loss: public building damage (i.e., natural events as listed above, terrorist or security breaches), damage to publicly owned utilities, damage to or by construction projects, damage or theft to art objects or public memorials, damage or theft of the motor vehicle fleet and water-aircraft-mobile equipment. Theft or damage to law enforcement weapons, theft or damage to computer technology, damage to library and archived records, business records, and damage to trees or other horticulture.

- ***Technology – E Risks***

Technology equipment includes mainframe computer, network servers, desktop personal computers, laptop computer, devices for accessing the Internet or e-mail, printers, cellular telephones, two-way radios, other electronic devices that may combine a number of technologies for communicating and computing information, and high technology scientific data, measuring, and analysis equipment.

These devices are at risk for loss from:

- ✓ Damage caused by acts of nature (earthquake, fire, flood, mudslide, etc.)
- ✓ Loss or damage from employee use (dropped, exposed to damaging elements such as hot interiors of cars, inadvertent disappearance (stolen at airports, conferences or hotels, etc.).
- ✓ Theft (a potential for high loss if there is no tracking system in place to account for equipment)
- ✓ Vandalism
- ✓ Water Damage
- ✓ Software Damage

**CAUTION**

Read all policy exclusions carefully.

### ***Notes***

### ***Important***

A tracking system that accounts for expensive technology equipment (agency determines the dollar level) assigned to employees, programs, or departments, provides the following loss prevention benefits:

- ✓ Provides an inventory of equipment purchased by the agency so missing pieces can be easily identified for recovery by police when acts of theft and/or vandalism occur.
- ✓ Increases accountability of the department or program manager responsible for the care and oversight of the equipment to minimize loss from internal misuse or theft.
- ✓ Provides description of equipment and evidence of ownership in case of accidental loss when insurance recovery is sought.
- ✓ Provides information for future security, insurance coverage, and loss prevention planning purposes.



Besides property loss exposures, there is potential for e-risk tort loss in such areas as violation of intellectual property rights, Internet-related risks, etc. Please see page 65 for more information on e-risk.

- **Medical Malpractice**

Exposures that may generate claims against students who are performing practicums. Also applies to class instructors where claims arise out of the supervision of instruction students. This coverage also extends to cosmetology students.

- **Foreign Liability**

General liability exposures that may generate claims arising out of state employees, volunteers, or students traveling in foreign countries (including vehicle liability).

- **Specialized Events**

Agencies that have events and activities that are considered higher risk (such as rodeos, concerts, carnivals, etc.) can purchase special events coverage.

**Note:** Special event policies provide additional liability coverage for exposures that fall into the high-risk category.

- **Aviation Risks**

Liability exposures related to the operation of aircraft are excluded by the state's self-insurance program. Aviation insurance can be purchased to cover this risk.

**Note:** Aviation property insurance can also be purchased to cover physical damage to the aircraft itself.

- **Marine Risks**

Watercraft that exceed 26 feet in length or 50 horsepower are excluded for liability coverage by the state's self-insurance program. Marine insurance can be purchased to cover this risk.

**Note:** Marine property insurance can also be purchased to cover physical damage to the watercraft itself.

### ***What are the Steps for Review/Analysis of Agency Risk Exposure?***

Once the basic categories are identified, a more in-depth study of the agency-specific issues associated with the risk exposure is required in order to determine prevention strategies.

Use the following steps, as needed, to analyze agency risk exposures:

- Review statutory authority, policies, and procedures
- Identify exposures

### ***Notes***

### ***Important***

All commercial insurance purchases must be procured through the Office of Risk Management (ORM).

Contact the Risk Finance Manager at ORM for assistance or with questions on commercial insurance purchases.

Riskmanagement@ga.wa.gov.



- Collect and analyze data
- Conduct site visits
- Evaluate agency claims management practices
- Review contracts
- Measure exposures
- Prepare recommendations

## Notes

### ***How are These Review/Analysis Steps Initiated?***

#### **STEP 1 - Reviewing Statutory Authority, Policies and Procedures**

To analyze the agency's policies, procedures and programs for potential exposures, begin by gathering documents that describe the **role, functions and activities** of the agency. Among the first things to review are any written policies and procedures that pertain to risk management issues, information on staff size and duties, and copies of any prior audits or reviews. The following outlines other key areas to review:

- ***Risk Management Policy Statement***

Agency policy statement may express the goals, direction, attitude and structure of the risk management program within the agency. It commits management to a specific course of action.

- ***Administrative Policies and Procedures***

A procedures manual provides direction on carrying out established policy. Reviewing an agency's risk management policy statement and procedures manual will provide details about assigned areas of responsibility, including how risk management is addressed in the agency. Developing a risk management policy statement and procedures manual may be a recommendation in the self-assessment report, should it be deemed necessary to adequately manage agency risk.

- ***RCWs, WACs, Internal Procedures***

Select sections of RCWs and WACs that apply to the agency, as well as any written internal procedures. RCWs and WACs provide the regulatory responsibility and authority for the agency and should be thoroughly reviewed. A checklist of the regulatory responsibilities can be created if desired. Activities of the agency could be compared to the checklist. Responsibilities that are not met should be noted and appropriate recommendations developed. Also, evaluate internal policies to determine if they are consistent with authority and responsibility, good business practices, and include risk control measures. A thorough understanding of applicable RCWs and WACs is the foundation for identifying the agency's exposure.





## **STEP 2 - Reviewing Agency Business Documents**

Identification of potential risk is the foundation on which loss prevention or loss control programs are built. A self-assessment is not a one-time event. To effectively manage risk, potential exposures must be systematically and continually reviewed. An assessment identifies only those exposures that are recognized. If something is missed or incompletely analyzed and no recommendations develop, the agency retains that exposure.

Some exposures are fairly evident and obvious, and will be easily identified in the self-assessment process - others may be less obvious or "hidden". Uncovering less obvious exposures requires team members with a thorough knowledge of the agency and its operations. Documents that the risk self-assessment team can use to research potential risk exposure include:

- **Agency-wide Documents**

These documents provide information about current agency operations and programs, new/modified programs, or other significant changes to overall agency operations. They include:

- ✓ Budgets
- ✓ Business Plans
- ✓ Organizational Charts
- ✓ Agency-wide Policies and Procedures (e.g., personnel-related, safety and security, financial/fiscal, etc.)

By reviewing the budget, followed by the business plan and organizational charts, an analysis of potential exposures created by new projects or expansion of existing projects/programs can be identified. Then an appropriate analysis can be made for risk exposure. The analysis may include verification that all line items in the budget tie into established programs and that planning is complete and underway. Another benefit is that determination can be made if there are any gaps in programs or services that are budgeted, but do not appear on the organizational chart.

- **Project/Program-Specific Documents**

These documents may include communications in a variety of documents that provide specific information or direction for carrying out job duties, assignments, workload levels, etc. They may be described as:

- ✓ Program Handbooks
- ✓ Procedural Manuals
- ✓ Guides or Guidelines
- ✓ Operations Manuals

**Note:** See the "CAUTION" to the right regarding the importance of this document review.

## **Notes**



### **Project/Program-Specific Document Review**

The key to reviewing these documents is to determine if the steps, procedures, or recommended practices as outlined in the written documents reflect the manner in which **staff currently carries out the program requirements on a daily basis**. If over time staffing changes, new laws or requirements, or other agency demands or factors have created a need for a change in the way the procedure or practice is carried out, then **these changes should be reflected in the written program documents**.

#### **Another Tip:**

When writing operations manuals, consider outlining procedures or practices in a broader focus that still achieves overall objectives for efficiency and effectiveness. This may be particularly important for certain operations or duties that require a high level of individual or "case-by-case" decision making.

#### **Important Recommendations:**

Consider having new/revised program operations manuals reviewed by the agency AAG prior to their release for agency use.



### **STEP 3 – Analyzing Claims Data**

Developing information on the agency's claim history is important as it establishes a baseline to evaluate the effectiveness of the risk management and loss prevention efforts. Claims data is generated when agencies or claimants submit reports to the Office of Risk Management (ORM). ORM maintains this information in a claims database for all agencies' claims, except the University of Washington.

The accuracy of the data, and the ability to develop trends from it, depends on the agencies' and claimants' reports to ORM. Data is also available from ORM in aggregate for all state agencies so that agencies can be aware of and compare to trends on the statewide scene. In addition, the Department of Labor and Industries maintains workers' compensation claims data. Both agencies produce specialized loss history reports designed to help agencies evaluate the type of claims, number of claims, and cost of claims. These loss reports are also helpful in showing trends or patterns that include:

- Location and circumstances of the accident or incident
- Name of individual involved
- Similar types of loss
- Frequency of loss
- Severity of loss

Claims data is another tool for determining if the agency has taken adequate steps to eliminate or reduce liability, property, and employee-generated losses.

Additional data and information can be found in the following documents:

- ***Tort Liability Claims***

Detailed and loss trend reports for the agency's liability claims are provided to agencies by the Office of Risk Management. To order, call (360) 902-7312, or email [riskmanagement@ga.wa.gov](mailto:riskmanagement@ga.wa.gov).

- ***Commercial Insurance Property Losses***

Information on claims paid by a commercial insurance company can be obtained by contacting the Office of Risk Management's Risk Finance Manager at (360) 902-7301, or email to [riskmanagement@ga.wa.gov](mailto:riskmanagement@ga.wa.gov).

- ***Workers' Compensation Claims***

Loss reports of workers' compensation claims are available from the Department of Labor and Industries (L&I). For a phone number to request reports, find the nearest L&I office in the "government section" of the local phonebook, or look under "Risk Management" or "Loss Control Consultant". Consultants are located statewide. You can also visit the L&I website at [www.lni.wa.gov](http://www.lni.wa.gov). Click on the "In Your Community" link to find the nearest L&I office. The city name listed will give you a complete list of the most current services, phone numbers, and addresses.

### **Notes**

#### ***Note***

The Office of Risk Management sends the *State Agency Quarterly Risk Management Reports* to its customer agencies on or about the 15<sup>th</sup> day after the end of each quarter. The report is mailed to a specific person identified by the agency to receive these reports. The report provides each state agency with a wealth of information about their status of tort claims that were either filed, pending, or closed during the quarter. Contact the Office of Risk Management at [riskmanagement@ga.wa.gov](mailto:riskmanagement@ga.wa.gov) with any questions regarding these reports.



- **Workers' Compensation, Small State Agency Group Retrospective Rating Members' Claims**

Agencies that are members of the Small Agency Group Retrospective Rating program can request claims history by contacting the Office of Risk Management at (360) 902-7306, or email a request to [riskmanagement@ga.wa.gov](mailto:riskmanagement@ga.wa.gov). Retrospective Rating is an optional financial incentive plan offered by L&I for workers compensation insurance.

#### **STEP 4 - Conducting and Using Surveys/Questionnaires**

- **Using Agency Questionnaires**

This is another method of obtaining information for identifying and analyzing potential exposures. Steps include:

- ✓ Establish a survey or questionnaire. A thorough questionnaire asks **probing** questions about the agency, organization, real property, equipment, personal property, programs, or other sources that will reveal potential areas of loss.
- ✓ Determine the most appropriate staff in the agency to survey.
- ✓ Discuss the survey with those interviewed, making notes of any potential exposures or risk discovered, or areas where follow-up is needed.
- ✓ Use information provided by the survey as a tool for establishing priorities in scheduling personal interviews and facility inspections.

- **Help for Evaluating Responses**

To evaluate the effectiveness of the information provided in responses on questionnaires, consider the following questions:

- ✓ Is it a logical response?
- ✓ Is it complete?
- ✓ Does it indicate a possible exposure(s)?
- ✓ Does it raise questions about other areas that need to be investigated?
- ✓ Has it been verified by another source?

- **Conducting Personal Interviews**

Personal interviews should be scheduled with employees in the agency who have information that is considered important in evaluating potential areas of loss. Interviews are helpful in determining long and short-term objectives of the agency. Key points for using personal interviews in the assessment process include:

Notes



- ✓ Hold initial interviews with the Director/College President and/or other executive management team members.
- ✓ Next, hold interviews with managers in the areas of personnel, finance, purchasing, safety and health, and the Assistant Attorney Generals representing the agency.

Contact other managers and supervisors for additional information if deemed necessary.

Notes

## **STEP 5 - Conducting Site “Walk-Throughs”**

### **• Planning Steps to Take in Preparation for the Site Visit**

- ✓ Review the risk management definitions provided earlier in this Guide.
- ✓ Review ALL material collected to date.
- ✓ From the reviewed documents, note if there are any locations/operations that have frequent or costly claims.
- ✓ Make plans for the area to be visited. Don't limit the visit to just the planned area.
- ✓ Time the visit appropriately to ensure certain exposures are revealed (i.e., times when most students would be on campus, late night shifts for 24-hour operations, weekends for high intensity activities, etc.).
- ✓ Have thoroughly reviewed (or re-reviewed) the financial/business documents, claims reviews, and interview documents.

### **• Site Visit Walk-Through Process**

#### **✓ First Walk-Through Tips**

Conduct the preliminary “walk-through” in as many facilities of the agency as possible. This first walk-through provides an additional perspective or visual survey to ensure findings correspond with programs and services (by location) that were covered or studied in earlier document reviews. It also provides the overall “impression” of the agency.

#### **✓ Second Walk-Through Tips**

Conduct a second “walk-through” with a goal of capturing more detailed information and performing a more detailed inspection. Anything that stands out as potentially unsafe or unusual should be noted for follow-up. Problems of a serious or imminent danger status should be brought to the immediate attention of management for **immediate** action. Simple problems or hazards can be brought to the attention of staff for correction, but still should be **included in the notes, to ensure follow-up.**



- **Walk-Through Tips**

The scope established for the risk self-assessment will determine what is evaluated, observed, and noted during the “walk-through”. If the scope of the self-assessment is narrow (i.e., focused on tort loss potential only), those conditions most apt to create tort loss will be the focus of the “walk-through”. If the self-assessment scope is broader (i.e., also includes commercially insured loss, workers’ compensation or job safety and health loss potential), then more time and review of different or additional areas would be included in the physical “walk-through” process.

- ✓ Overall, observe what activities are occurring in the area and visualize “what could happen” that may invite loss for the agency.
- ✓ Ask many questions to help in understanding the nature of the activities in the area. This tactic is also helpful in drawing out information from those working in the area that may be useful in the assessment process - such as close-call or near-accident situations, and creative solutions for mitigating loss potential.
- ✓ Evaluate the physical condition of the area. The depth of this evaluation will again depend on the scope of the self-assessment.
- ✓ Overall, evaluate housekeeping. Housekeeping is a great barometer of the attention and priority given to mitigating loss potential or risk reduction. Note: Housekeeping as used in the risk management context refers to neatness, orderliness, cleanliness, etc., that would help to reduce the potential of a slip, trip, fall, fire, or other injury or illness resulting from a physical condition.
- ✓ Generally, evaluate equipment condition, including those items used to carry out activities and those items that are geared to protect against loss (i.e., security systems, fire suppression systems, etc.).
- ✓ Note areas where agency property could be easily stolen or damaged.
- ✓ Note type of equipment or vehicles observed in the area being evaluated (i.e., boats, airplanes, trucks or construction equipment, large vans or semi-trucks, etc.).
- ✓ Note environmental concerns.
- ✓ Make notations about agency activities observed, and inquire about any intermittent activities that should be evaluated for potential risk exposure.

Notes



# MEASURING AND ASSESSING EXPOSURE

The purpose of measuring identified exposure is to determine the expected frequency and severity, including the potential dollar loss of exposures. Measuring exposures begins when the list of exposures developed from site visits and questionnaires is completed. These exposures are then prioritized. This information will be used to determine the extent of follow-up needed and/or recommendations for needed changes.

- **Loss Exposure Measurement Types:**

- ✓ **Frequency** - How frequently (number of occurrences) an event will occur during a specific time period
- ✓ **Severity** - How severe (the degree) the damages or injuries an occurrence would be expected to produce
- ✓ **Cost** - How much it may cost the agency in insurance and related costs

- **Methods for Categorizing Loss Used in Projecting Costs:**

- ✓ High Severity
- ✓ Low Severity
- ✓ High Frequency
- ✓ Low Frequency

If desired, establish an agency/college maximum dollar value for each category.

## ***Is There a Process for Measuring Loss Probability?***

The following charts provide a simple way to evaluate the frequency, severity and potential cost of expected losses. This is called **risk mapping** and is a system of analysis that was developed by Richard Prouty, known as the *Prouty approach* (George L. Head, Stephen Horn II, *Essentials of the Risk Management Process*, PSA Insurance Institute of America, 1985).

- **Four Categories of Exposure**

**HIGH SEVERITY**  
**LOW SEVERITY**

**HIGH FREQUENCY**

Agency should attempt to eliminate, reduce or transfer the exposure  
Agency should attempt to eliminate, reduce or transfer the exposure

## ***Key Definitions***

**Loss Map/Mapping** - A graphical depiction of a select number of an agency's risks geared to illustrate the impact or significance of risks on one axis and the likelihood or frequency on the other. This is used to assist in identifying, prioritizing, and quantifying risks to an agency.

## ***Note***

Insurance companies are experts at accurately estimating the probability of losses, as they handle large volumes of claims. Agencies generally do not have the claim volume to establish accurate predictions of loss on their own, so they must rely on outside sources to establish loss projections. As a point of information, risk management professionals use forecasting techniques based on mathematical approaches such as regression (probability) analysis and loss severity distributions to product the cost of loss. However, this application is not discussed in this guide.

## ***Note***

The primary method for transferring risk is through contractual agreements. See ORM's "Contracts: Transferring and Financing Risk".



### LOW FREQUENCY

Agency should attempt to eliminate, reduce or transfer the exposure  
Agency should be able to absorb the loss



- **Four Categories of Loss Frequency**

#### ALMOST NIL

Unlikely to happen

#### SLIGHT

It could happen, but probably will not

#### MODERATE

It happens occasionally

#### DEFINITE

It happens regularly

- **Three Categories of Loss Severity**

#### SLIGHT

The agency can easily absorb the loss

#### SIGNIFICANT

Part of the loss should be transferred by the agency or the risk must be reduced to an acceptable level

#### SEVERE

The agency should eliminate, reduce or transfer the loss or face severe financial implications

### ***Is There a Tool for Risk Mapping?***

A worksheet for completing risk mapping on each identified exposure or category of exposures is shown on page 37. As with other materials in this Guide, the worksheet can be modified to fit agency needs.

### Notes

### *Points to Consider*

Financial consequences occur when large losses such as a fire, major liability claim, or natural disaster (e.g., earthquake or flood) occur. However, the reality often is that over time

smaller, more routine losses can produce a larger **total cost** than many of the major “shockers”.

## RISK/LOSS EXPOSURE ANALYSIS WORKSHEET





### DESCRIPTION - IMPACT - EXPOSURE LEVEL

Potential Risk/Loss Description: \_\_\_\_\_

Impact: ☐ agency-wide ☐ specific divisions/departments: \_\_\_\_\_

SEVERITY: ☐ Slight ☐ Significant ☐ Severe

FREQUENCY: ☐ Almost Nil ☐ Slight ☐ Moderate ☐ Definite

### RISK MAPPING – AGENCY PRIORITIZING

☐ High Frequency – High Severity: *Eliminate, reduce or transfer the exposure*

☐ Low Frequency – High Severity: *Eliminate, reduce or transfer the exposure*

☐ High Frequency – Low Severity: *Eliminate, reduce or transfer the exposure*

☐ Low Frequency – Low Severity: *Should be able to absorb the loss*

### LOSS PREVENTION EXPOSURE MITIGATION STRATEGY

☐ Alleged Acts or Omissions by State Agencies

☐ Contracts and Legal Relationships

☐ Property Loss

☐ Regulations and State Government Mandates

☐ Personnel or Workforce Loss

☐ Marine Related Exposures

☐ Government Activities and Services

Agency Response Category: ☐ High ☐ Medium ☐ Low

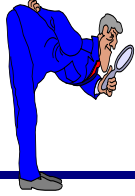
Rationale for Category Selected: \_\_\_\_\_

Loss Prevention/Mitigation Recommendations\*: \_\_\_\_\_

Additional Comments (if additional space is needed, use back of worksheet): \_\_\_\_\_

Completed by: \_\_\_\_\_ Title: \_\_\_\_\_ Date: \_\_\_\_\_

\* **CAUTION** This may become a matter or public record.



# PREPARING RECOMMENDATIONS FROM DATA AND SITE VISIT FINDINGS



## ***How is Data Analyzed for Determining Loss Prevention Strategies?***

The next step is to compile information and data gathered, and begin to identify loss prevention strategies. Loss prevention recommendations may impact one or more of the following areas:

- ***Considerations for Developing the Loss Prevention Strategy***

- ✓ **Physical Conditions** - Additions, changes, or improvements to the physical setting (e.g., buildings, vehicles, equipment, machinery, etc.) that reduce the potential for losses that result in injury or death to citizens or employees and that protects state-owned property from damage or other potential loss.

**Example:** Placing a non-slip carpeting near an entranceway to protect customers from slipping and falling when their feet are wet from the rain.

- ✓ **Agency Specific Operational Policies and Procedures - (including Personnel Practices)** - Additions, changes, or improvements to agency policies, procedures, guidelines, directives and practices that specify how the agency carries out the agency mission, service delivery aspects, and expectations for employee conduct.

**Example:** Ensuring that policies and procedures are updated to reflect change in activities, direction or expectation of service delivery set by the agency and employee workloads. Also, ensuring that employee behavior expectations are well defined and have an appropriate level of communications.

**Example:** Agency has a well-defined Sexual Harassment Policy, which include mandatory training, including signature from the employee that they received a written copy of the policy.

- ✓ **Budget Considerations** - Any changes that result in significant impact to budgets (could be negative or positive) that impact the agency. May include equipment purchases, FTE additions, reductions or changes, etc.

- ***Determining the Most Appropriate Method of Addressing Risk***

The following are five of the most common categories of strategies for developing recommendations (George L. Head, ed., *Essentials of Risk Control*, PA Insurance Institute of America, 1989, pg. 22):

- ✓ **Exposure Avoidance** - Eliminate the exposure by abandoning or never undertaking a project or activity.

### ***Note***

Some of the information in this section of the Guide is included on the risk mapping chart on page 37.

### ***Notes***



- ✓ **Loss Prevention** - Reduces the probability of frequency of a loss. This loss control technique does not eliminate the exposure, nor does it necessarily have an effect on the severity of an individual loss.
- ✓ **Loss Reduction** - Reduces the severity of those losses that do occur.
- ✓ **Transfer of Risk** - An act of transferring risk to a commercial insurance carrier or another party. Transfer to risk to a commercial insurance carrier requires paying a premium in exchange for coverage. If risk is transferred to another party such as a contractor, the contractor can finance the risk through either a funded self-insurance program or by purchase of commercial insurance.

- **Comparing Data to Results in Typical Areas of Loss Potential**

Results of the data review can be compared to typical areas in agencies that have a potential for loss, such as:

- ✓ Employee Safety
- ✓ Protection of Property
- ✓ Security
- ✓ Products or Services (provided and received)
- ✓ Public Safety
- ✓ Vehicle Use
- ✓ Environmental Issues

- **Refining the Categories**

The following questions can be used for sorting and graphing risks:

- ✓ Are any categories duplicated?
- ✓ Can any be combined?
- ✓ Which ones will be affected by the same risk control technique?
- ✓ Where are the greatest potential exposures?
- ✓ Where are the greatest potential costs?

Next, rank and list the exposures by projected cost within the group. This information will be helpful in determining the final recommendations.

Notes



- **Identifying the Preferred Method of Preventing Loss for Each Potential Risk**

The next step is to identify the most efficient and effective method or approach for reducing the exposure. Based on the information collected, determine which method of prevention/reduction is the most efficient and effective for the agency. Use the following loss prevention categories to make these determinations:

- ✓ Preventing the hazard or exposure
- ✓ Reducing the hazard or exposure
- ✓ Separating the hazard or exposure by a material barrier
- ✓ Increasing resistance to damage from the hazard or exposure
- ✓ Countering damage already done
- ✓ Stabilizing, repairing, or rehabilitating the object of the damage

### ***How Can Cost be Factored into the Loss Prevention Method Chosen?***

After determining the most appropriate approach to reducing or eliminating risk exposures, consideration must be given to the cost effectiveness of implementation. Cost effectiveness evaluation can be accomplished by critically questioning selected loss prevention strategies. Test the feasibility of the recommendation by asking the following questions:

- Is the cost to mitigate the potential risk exposure greater than an estimate of losses that may occur?
- Will the solution use critical resources to protect the agency from a loss that may be severe, but does not have a high likelihood of occurrence? If so, are there other options available or alternative techniques that could be considered?
- Does the cost of the loss mitigation strategy fit in with future agency planning or budgeting?

### ***How are Final Recommendations Presented to the Management Team?***

A report to the management team should be prepared, outlining findings and recommended strategies for reducing loss. There is no standard format for this report, but to be effective the report should:

- Be brief, using a bullet-type style.
- Contain appropriate supporting information or documents.

## ***Notes***

### ***Note***

Expensive solutions should be reserved for **major exposures**.



- Contain fact-based information on critical recommendations.
- All documentation supporting the recommendations should be kept on file.

The following section provides more details on preparing the final report.

### *Note*

The following is an example of some recommendations:

- The pilot must be FAA certified and rated.
- The pyrotechnic operator must display proof of a Commercial Liability Policy with a minimum limit of not less than one million dollars.
- Once repairs have been made to the deck surface and the edge of loading dock #5, a site visit should be made to verify that the "trip and fall" hazards have been corrected.

### *Notes*



# THE FINAL REPORT



## ***What Should be Included in the Final Report?***

- ***Final Draft Report Format Recommendations***

The scope and nature of the self-assessment report are some factors for determining the most effective format for the report. The following is a suggested format:

- ✓ Executive Summary
- ✓ Introduction
- ✓ Analysis of Claims
- ✓ Potential Exposure
- ✓ Contract Review
- ✓ Recommendations
- ✓ Appendix

- ***Report Review Recommendations***

- ✓ **Start with Executive Review** - Strive for executive level management review of the initial report. This is an opportunity for executive management to evaluate the self-assessment project results. The report, study of findings on exposures, and recommendations made to eliminate those exposures deserves an executive management audience before it is released to other agency staff.
- ✓ **Be Prepared to Conduct an Executive Briefing (if requested)** - Be prepared should a meeting with the risk self-assessment team be requested by executive management. Executive management may have suggestions on strengthening or modifying the recommendations submitted, especially if they are controversial.

- ***Finalizing the Report***

Include executive management review, comments, changes, or recommendations in the final version of the report. Distribute the report to appropriate agency staff.

## ***What Type of Follow-Up is Required/Recommended after Release of the Final Report?***

- ***A Follow-Up Timeline***

The follow-up timeline will depend on the nature of the exposure. The following are examples of follow-up timelines:

- ✓ Immediately
- ✓ Six Month
- ✓ One Year

## ***Notes***



- **Developing and Implementing Action Plans**

A plan should be developed and carried out according to the timeline. Changes or deviations to the plan should be documented and timelines amended if they cannot be carried out as originally planned.

- **Measuring Effectiveness with Follow-Up Review**

It will be important to measure the effectiveness of the change in order to determine if the recommendations for preventing or reducing loss have been effective. An example would be to determine if collisions or near misses at a previous blind spot were actually reduced or eliminated by installing recommended safety equipment. In some instances a cause and effect relationship may be more difficult to pinpoint. There may be no history of an accident - just a previous potentially dangerous condition that was corrected before anything happened.

- **Preparing a Follow-Up Report**

Again, the format and scope of the follow-up report is determined by agency need. Some items to consider when developing the report include:

- ✓ Description of the recommendation or follow-up action plan.
- ✓ Method for implementing the recommendation.
- ✓ Date the recommendation was implemented  
Note: Some long-term projects may require a beginning and ending date.
- ✓ Results indicated from implementation.

### ***How Often Should Risk Self-Assessments Be Conducted?***

A risk self-assessment is not a one-time event. Potential exposures must be systematically and **continually** reviewed to effectively manage risk. Plan periodic evaluations based on agency needs and/or operations. An initial assessment is helpful in determining the frequency of future assessments for all operations within the agency.

### ***Example***

If mirrors at a blind corner where two halls meet was recommended to avoid people from colliding, it will be important to ensure that the mirrors were installed and are effective.

### ***Notes***



## **GENERAL SELF-ASSESSMENT SECTION**

# **SIGNIFICANT EXPOSURES CHECKLIST**



There is no formal definition for significant exposures. They are simply “out of the ordinary” events. The following are examples of exposures the Office of Risk Management would place in the “significant” exposure category. Use this checklist to help determine your agency/college’s “significant” exposures:

### ***NOTE***

This list is not intended to include every “significant” exposure that pertains to every state agency. It is intended however, to provide broad direction on the type of exposures that may appear in this category. The Agency Interview Profile, which follows, and other documentation pertaining to agency operations, will be helpful in compiling a comprehensive list of significant exposures that captures the unique operations of each agency.

#### ***Natural Disasters***

☐ Flood

☐

Facility is located close to rivers, streams or other bodies of water

☐

Elevation of the facility is at or below flood level

☐

There has been prior flood damage to the facility

☐ Earthquake

☐

Facility is located close to rivers, streams or other bodies of water

☐

There is a history of earthquakes in the area

☐

The facility was previously damaged by earthquakes

☐

At or near known fault

☐ Other Natural Hazards

☐

Windstorm

☐

Winter Storm

☐

Landslide / Mudslide / Sinkhole



# **SIGNIFICANT EXPOSURES CHECKLIST**

☐ Thunder/Lightning Storm

☐ Wildfire

☐ Tsunami

☐ Volcanic Eruption

☐ Drought / Heat

### ***Pollution***

☐ Any pollution or contamination caused by the agency's work

☐ To the air

☐ To the water

☐ To the disposal of solid waste

☐ By excessive noise

### ***Radioactive Substances***

☐ Use of or exposure to radioactive substances

### ***Contracts***

☐ Risk Management preview of critical or high risk contracts

☐ Any joint operations with others

☐ Any liability assumed by the contract

☐ Any waiver of the right of recovery against a third party



# **SIGNIFICANT EXPOSURES CHECKLIST**

☐ Large-scale computer centers

☐ High cost technology equipment, laptops, etc.

☐ Fine arts in offices or on display

### ***Miscellaneous Exposures***

☐ Use of non-commercial water or aircraft

☐ Malpractice

☐ Custody of property of others with a value in excess of \$10,000

☐ Liability arising out of the sale, promotion or activities which could be impacted by the use of alcoholic beverages

☐ Agency sponsored recreational facilities or programs for the use of employees

☐ Blasting or use of explosive, unless this is an usual or customary task of the agency

☐ Unusual fire or explosion hazards

☐ Any situation where the advice or assistance of a risk control specialist would be helpful



## GENERAL SELF-ASSESSMENT SECTION

# AGENCY INTERVIEW PROFILE QUESTIONS

### ***Overview of the Agency***

#### ***General Operations***

1. Describe the basic operation of the agency \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
2. What is the agency mission? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
3. What are the agency's short and long-term priorities? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
4. What obstacles may prevent meeting these priorities? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

#### ***Procedures and Policy Manual***

1. Is there a procedure manual covering the activities of the agency? \_\_\_\_\_
2. Is this procedure manual current? \_\_\_\_\_ Last time revised? \_\_\_\_\_
3. Does anyone review the agency's forms, policies, and procedures for possible liability exposures? \_\_\_\_\_
4. Do the manuals need revisions? \_\_\_\_\_ Last time revised? \_\_\_\_\_



# AGENCY INTERVIEW PROFILE QUESTIONS

## ***Risk Management Training***

1. Describe the agency's risk management program \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
2. What type of training is provided? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
3. Does this training include information on preventing tort claims and employee injuries? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## ***Accident Causes and Trends/Investigation***

1. Is there an accident reporting system? \_\_\_\_\_
2. Is there an incident reporting system? \_\_\_\_\_
3. Is there a written procedure? \_\_\_\_\_
4. Are incident/accident report forms readily available and consistently used? \_\_\_\_\_

## ***Reports and Publications***

1. What type of risk management reports or data are prepared for executive level management? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
2. Does the agency print or issue any maps, brochures, or similar publications? \_\_\_\_\_
3. Are disclaimers used in the publications where appropriate? \_\_\_\_\_

# AGENCY INTERVIEW PROFILE QUESTIONS

## ***Regulatory Activity***

1. What regulatory authority is held by the agency? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## ***Permits and Licenses***

1. What types of permits or licenses are issued by the agency? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
2. Does the issuing of permits and/or licenses create liability exposure? \_\_\_\_\_
3. Do written policies and/or procedures govern the granting or revocation of the license or permit? \_\_\_\_\_

## ***Personnel***

1. How many FTEs does the agency have? \_\_\_\_\_
2. What are the responsibilities of the field personnel? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
3. What are the activities of the field personnel? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
4. What tort liability could arise from the activities and/or duties of field personnel? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

# AGENCY INTERVIEW PROFILE QUESTIONS

5. What jobs in the agency have the greatest potential for causing illness or injury to employee or to others; or damage to the property of the state or others?

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6. Do these jobs have specific written rules and documented training? \_\_\_\_\_

7. What type of orientation is provided to new agency employees about preventing tort liability, personal injuries, etc? \_\_\_\_\_

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8. Does the agency conduct seasonal operations? \_\_\_\_\_

Check each that apply:

- ☐ Is there an increase in staff?
- ☐ Is temporary staff provided appropriate training?
- ☐ Is temporary staff permitted to drive vehicles or operate equipment?
- ☐ Does temporary staff perform hazardous or unusual work?
- ☐ Does temporary staff receive appropriate security clearance for high security areas?

9. What type of work is contracted out by the agency? \_\_\_\_\_

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Who reviews the contracts? \_\_\_\_\_

# AGENCY INTERVIEW PROFILE QUESTIONS

## ***Facilities***

### ***Facilities and Equipment***

1. Are there unusual building facilities or equipment exposures that could endanger employees or the public?

Check each that apply:

- ☐ Injuries due to poor housekeeping (i.e., slip and fall)
- ☐ Injury from equipment and/or tools
- ☐ Failure to use protective equipment
- ☐ Inadequate signage
- ☐ High noise or dust levels
- ☐ Improper maintenance of electrical equipment, ladders, power and hand tools
- ☐ Unmarked open pits, trenches, ditches or holes

2. What are potential exposures relating to buildings, facilities, equipment or machines?

Check each that apply:

- ☐ Improper storage and handling of flammables and combustibles
- ☐ Theft of agency-owned equipment, materials, supplies, records or money
- ☐ Lack of preparation for fire or other manmade or natural disasters
- ☐ Poor or inadequate operation or maintenance of the building heat and ventilation system

### ***Leased facilities or equipment***

1. Does the agency lease any land, facilities or equipment? \_\_\_\_\_

2. What types of equipment are used in the agency's operations? \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

# AGENCY INTERVIEW PROFILE QUESTIONS

3. Are any state-owned facilities or buildings leased? \_\_\_\_\_

4. Is the language of the lease agreement adequate? \_\_\_\_\_

Check each that apply:

- ☐ Is a standard lease agreement used?
- ☐ Does the lease contain a hold-harmless agreement?
- ☐ Are there special insurance requirements?
- ☐ Is there a waiver of subrogation?

## ***Vehicle/Motorized Equipment Exposures***

The use of vehicles represents one of the largest liability exposures to government. It is imperative that agencies become aware of these exposures and implement measures to control potential liabilities.

### ***Motor Vehicles***

1. How many motor vehicles have been assigned to the agency? \_\_\_\_\_

2. Are there any tractor-trailer operations? \_\_\_\_\_

3. Are hired or leased vehicles used by the agency? \_\_\_\_\_

Type \_\_\_\_\_

Annual miles/frequency of use \_\_\_\_\_

Who provides drivers for leased/hired vehicles? \_\_\_\_\_

Are vehicles used on premises only? \_\_\_\_\_

4. Do employees use their own vehicles? \_\_\_\_\_

5. Are vehicles or equipment loaded to other? \_\_\_\_\_

6. What type of driver training is provided? \_\_\_\_\_

\_\_\_\_\_

# AGENCY INTERVIEW PROFILE QUESTIONS

7. How are vehicles determined to be in a safe operating condition? \_\_\_\_\_  
\_\_\_\_\_

8. Have the maintenance procedures for vehicles been reviewed? \_\_\_\_\_

9. Have there been any losses involving motor vehicles? \_\_\_\_\_

## ***Boats or Watercraft***

1. Does the agency own any boats or specialized watercraft (i.e., Jet Ski)? \_\_\_\_\_

Type and number \_\_\_\_\_

Describe what they are used for \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. Does the agency lease or charter any boats? \_\_\_\_\_

Type and number \_\_\_\_\_

Type of lease or charter \_\_\_\_\_

Describe what they are used for \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. Have there been any losses involving boats or watercraft? \_\_\_\_\_

## ***Aircraft***

1. Does the agency own any aircraft? \_\_\_\_\_

Type and number owned \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

List of pilots by name and number of hours flown \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

# AGENCY INTERVIEW PROFILE QUESTIONS

2. Does any employee pilot an aircraft on agency business? \_\_\_\_\_  
Number of hours \_\_\_\_\_  
Is there an agency policy on this type of activity? \_\_\_\_\_  
Does it have DOT approval? \_\_\_\_\_
3. How many agency personnel can fly on one plane? \_\_\_\_\_
4. Does the agency rent, hire or lease any non-owned aircraft? \_\_\_\_\_  
Annual cost? \_\_\_\_\_  
Listed under state contract? \_\_\_\_\_
5. Does the agency own, lease or operate any:  
Airports or airstrips \_\_\_\_\_  
Airstrips/helicopter pads \_\_\_\_\_  
Aircraft hangers \_\_\_\_\_  
Airplane repair facilities \_\_\_\_\_
6. Are these facilities marked on aeronautical maps? \_\_\_\_\_
7. Have there been any losses involving aircraft? \_\_\_\_\_
8. Does the agency have a flying history for all pilots? \_\_\_\_\_

## ***Special Exposures***

### ***Property of Others***

1. Does the agency use any property of others? \_\_\_\_\_
2. Is property of others left in the agency's care, custody, or control? \_\_\_\_\_
3. Are any agreements to minimize liability in effect? \_\_\_\_\_

# AGENCY INTERVIEW PROFILE QUESTIONS

## ***Recreation Sites and Programs***

1. Does the agency own, manage or maintain any recreation sites? \_\_\_\_\_

What kind of facilities are on-site? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

How often are facilities inspected? \_\_\_\_\_

Are personnel assigned to maintain, manage, and/or inspect the facilities? \_\_\_\_\_

2. Does the agency manage or operate any recreational programs? \_\_\_\_\_

How are they supervised? \_\_\_\_\_

\_\_\_\_\_

Is the equipment and playing surfaces properly maintained? \_\_\_\_\_

Are the Consumer Protection guidelines for playgrounds used as a reference? \_\_\_\_\_

Is medical clearance required for participation in hazardous programs? \_\_\_\_\_

## ***State Manufacturing-Type Operations***

1. Does the agency manufacture any products? \_\_\_\_\_

What are the products? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

What is the volume of business/product? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Who are the customers? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_



# AGENCY INTERVIEW PROFILE QUESTIONS

## ***Festival/Special Events***

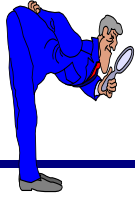
1. How are permits issued? \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

Are permits issued on an equitable basis? \_\_\_\_\_

Are there written procedures? \_\_\_\_\_

Are insurance requirements adequately covered? \_\_\_\_\_



# FOCUSED AREAS OF RISK

## Contracts/Leases



### *What are Key Areas of Review for Contract Risks?*

Contracts can be written for the purchase of supplies and equipment, or they can be construction or personal services contracts. The following outlines key contract review actions:

- Ensure all your data has been reviewed prior to evaluating contracts.
- Ensure contracts meet ALL appropriate insurance requirements.
- Look for exposures contained in the insurance requirements and indemnification clause agreements.
- Gather samples of “form” contracts to review. Review the entire form for loss potential.
- Carefully evaluate the terms of the contract. Since a contract establishes **responsibility for risk**, much liability can be assumed or avoided by the terms of the contract. The division of risk between the contracting parties is always a matter of bargaining power. Whenever possible, the agency should **shift or transfer the risk of loss from themselves to the appropriate party**. Consult the publications listed in the margin for further information and guidance.
- Review interagency contracts or agreements.

**Note:** They are the exception for “transferring the risk”. In these contracts, the cost is born by the State of Washington and transfer of risk is not a recommended substitute for other risk control methods.

- Ensure all exposures are adequately addressed and that the contracts have appropriate indemnity and hold-harmless clauses.

**Note:** If contracts are individually drafted, it will be necessary to review a fairly large sample to ensure that exposures to the state are adequately addressed.

- Ensure contract language and format is prepared according to standard policy (if not already established), and that all contract writing be done according to established agency guidelines that follow the policies and practices described in the Office of Financial Management’s “**Guide to Personal Service Contracting**”. This guide should be consulted if there are questions about contract writing. The guide can be accessed at the Office of Financial (OFM) website at <http://www.ofm.wa.gov>. Contract training is provided to help agencies avoid risks associated with writing contracts. Contact [riskmanagement@ga.wa.gov](mailto:riskmanagement@ga.wa.gov) to find out when training is conducted.
- Have AAG review contracts as to form.

### **CAUTION**

Without the proper insurance requirements, contracts have the potential to create **major liability** for the State of Washington. For more information, consult the “OFM Guide to Personal Service Contracting”, and ORM’s “Contracts: Transferring and Financing Risk”.

### Notes



## ***Are There Different Types of Contracts?***

There are four basic types of contracts, which are described below:

- ***Purchase Order and/or Supply Agreement***

This is an agreement to buy supplies or services from a vendor. These contracts often involve liability and product issues. They incorporate a wide variety of ways to transfer liability between the buyer and seller, and may even contain language that requires the seller to assume all liability for the products. Sellers are becoming increasingly reluctant to assume this liability as they may also be assuming the negligence of the buyer. When reviewing purchase order or supply agreement indemnity clauses and hold-harmless agreements, they should be studied carefully to determine who is assuming liability and to what extent.

- ***Lease of Property and/or Equipment Agreements***

Property leases and equipment agreements are written between the lessor and lessee of property or equipment. The terms of the contract vary considerably, as very few of the agreements, particularly in the area of leasing equipment, are standardized. Almost every company has developed and uses its own form. When the agency is leasing valuable property or equipment, it is important for the agency to carefully review what the owner (lessor) expects the agency to assume.

- ***Construction Agreements***

Construction agreements are generally between a contractor and the state for a specific project(s), but there are exceptions. Hiring a contractor can expose the agency to liability and suits that arise out of the contractor's negligence. Liability may develop from common law or from statutes holding the owner responsible for public safety precautions, employing competent contractors or adequate inspection of the work. The RFP documents must include insurance and indemnity provisions as specified in the Office of Risk Management's "*Contracts and Indemnity Manual*". There may be a standard of construction established by the state that a state-owned building must comply with. Questions on construction agreements can be referred to the Office of Risk Management at (360) 902-7301 or e-mail at [riskmanagement@ga.wa.gov](mailto:riskmanagement@ga.wa.gov).

- ***Miscellaneous Agreements***

The majority of other state contracts, such as those for personal services, environmental services, engineering services, and professional services are covered under "miscellaneous agreements". All clauses labeled "*Insurance*", "*Indemnity*", "*Abatement of Rent*", "*Damages*", "*Maintenance*", "*Repair*", and "*Termination*" should be closely reviewed. These are common areas where the agency could be unnecessarily exposed to risk or loss.

## ***Notes***

### ***Note***

The "*Contracts and Indemnity Manual*" is available at [www.ga.wa.gov.risk/risk](http://www.ga.wa.gov.risk/risk).



## **FOCUSED AREAS OF RISK CONTRACT REVIEW CHECKLIST**

As part of the self-assessment process, agency contracts should be reviewed to evaluate insurance requirements, hold-harmless clauses, and liability agreements. The following are questions to assist in gathering information on how agency contracts are handled.

### ***Identifying Types of Contracts***

Check the following contracts or agreements that your agency currently negotiates, or plans to negotiate in the future:

- ☐ Purchase Agreements
- ☐ Leases for Real or Personal Property
- ☐ Construction Contracts
- ☐ Service Contracts
- ☐ Cafeterias, Food Service, or Snack Bars
- ☐ Amusement Rides or Fireworks Displays
- ☐ Recreation or Fitness Facilities
- ☐ Daycare
- ☐ Sales Agreements
- ☐ Performance or Service Agreements
- ☐ Surety Agreements
- ☐ Any Unusual Contractual Liabilities

### ***Contract Provisions***

☐ Yes ☐ No

Are oral agreements ever made?

☐ Yes ☐ No

Are contractors and subcontractors required to provide certification insurance?

☐ Yes ☐ No

Do certificates require advance notice of cancellation or major change in policy conditions?

☐ Yes ☐ No



# CONTRACT REVIEW CHECKLIST

Describe the type of work that is contracted to outside firms or individuals:

---

---

---

Describe the system used to ensure that certificates of insurance are properly tracked:

---

---

---

☐ Yes ☐ No

Are all contracts reviewed by AGO legal staff?

☐ Yes ☐ No

Are contracts reviewed by Office of Risk Management staff when appropriate?

☐ Yes ☐ No

Is commercial insurance required by either party?

☐ Yes ☐ No

Are the required limits, coverage and amount clearly defined?

☐ Yes ☐ No

Has the agency assumed responsibility for the negligence, willful acts, or punitive damage of others?

☐ Yes ☐ No

Is the agency assuming liability that is linked to property?

☐ Yes ☐ No

Is the agency assuming liability that is covered under a commercial insurance policy's definition of occurrence?

☐ Yes ☐ No

Are insurance policies related to the contract written on a "claims-made" or "occurrence" basis? For questions, refer to ORM's "Contracts: Transferring and Financing Risk" Guide. If on a "claims-made" basis, is the "claims-







## FOCUSED AREAS OF RISK LEASE REVIEW CHECKLIST

### ***Leases***

Leases require a different type of review. The following questions will help you collect information about agency lease provisions.

1. Who is responsible for any type of damage? \_\_\_\_\_
2. Who must carry fire insurance? \_\_\_\_\_
3. How is value of the property determined? \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
4. Who insures the tenants' improvements? \_\_\_\_\_
5. Who is responsible for damage to contents? \_\_\_\_\_
6. Who is responsible for perils other than fire and extended coverage? \_\_\_\_\_
7. Is the building value stated as "replacement cost" or "actual cash value"? \_\_\_\_\_
8. Is a waiver of subrogation endorsement attached to the contract? Does each party grant a waiver of subrogation?  
\_\_\_\_\_
9. Is the rent stopped if the building is untenable? \_\_\_\_\_ For how long? \_\_\_\_\_
10. Does the agency obtain approval of AAG? \_\_\_\_\_
11. If the property has several tenants, does the lease specify who is responsible for common areas? \_\_\_\_\_
12. Is the agency assuming liability for faulty operation of the lease equipment and/or all claims arising out of the use of the leased equipment?  
\_\_\_\_\_



# FOCUSED AREAS OF RISK CLAIMS MANAGEMENT



## ***What is Claims Management?***

Claims management is a method of tracking, addressing and following up with actions or documentation on incidents or claims that are generated as a result of an incident.

The way tort liabilities are addressed in each agency varies, so the claims management process will vary with agency needs. The agency must ensure that an agency representative is assigned to coordinate with the appropriate claims system to provide periodic review; documents or information; and assistance as required for handling the claim. Generally, agencies will have these claim types:

- **General Liability (tort) Claims - Office of Risk Management**  
Includes personnel-related claims (sexual harassment, discriminations, etc.); bodily injury; personal injury; slips or falls in state facilities, etc.
- **Vehicle Liability (tort) Claims - Office of Risk Management**  
Includes all damages caused by state employee drivers.
- **Property Claims - Office of Risk Management**  
Losses or perils to state-owned property such as facilities, marine vessels, airplanes, EDP equipment, etc., caused by fire, water or wind damage, theft (money and assets), etc.
- **Workers' Compensation Claims - Department of Labor and Industries (L&I)**  
Includes **job-related** injuries, illness, or death suffered by state employees.

## ***What Actions Should Agencies Take When an Accident/Incident Occurs?***

- Record information regarding the incident using agency-designated forms or the Standard Accident/Incident report form from the Office of Risk Management. **NOTE:** For workers compensation claims, a claim form is generated by the state employee's medical provider when they seek medical treatment. Contact with a qualified medical provider is necessary to establish a workers' compensation claim with L&I.
- Investigate incidents as soon as possible to establish facts relating to events of the incident.
- Ensure that law enforcement authorities investigate vehicle collisions involving state vehicles.
- Initially inform all employees (and remind at the time of the incident) that they are required to cooperate and assist in the state investigation.

## ***Notes***

### ***Note***

Workers Compensation claims are covered under Workers' Compensation Insurance, which is administered by the Department of Labor and Industries (L&I). Contact L&I at (360) 902-5588 to obtain a copy of the "Claims Coordinator's Desk Manual" for detailed information on managing workers' compensation claims, or visit the L&I website at [www.lni.wa.gov](http://www.lni.wa.gov) for more information on workers' compensation insurance.



- Advise employee that they ***should not*** admit liability or advise that the agency will take care of the problem or damages.
- Consider consulting with agency's AAG where there is an inquiry or request from an outside party on a claim.

## Notes

### ***How Should Agencies Report Accident/Incident Information?***

The easiest way to capture information on incidents/accidents that may result in claims (or for other situations agencies deem appropriate) is to use ORM's "Standard Accident/Incident Report Form" (see the "Additional Resources" section for a copy). It is important that information gathered on this form be factual (not opinion). The information is to be documented by agencies and maintained in agency files if needed for future use and/or for loss prevention purposes.

The following are examples of potential in-house recording use:

- Vehicle Accidents
- Equipment Damage
- Materials Damage
- Building Damage
- Security Incidents
- Workplace Safety and Health Incidents
- Workplace Injuries or Illnesses

**Caution:** This is to note workplace safety and health incidents only! Application for workers' compensation benefits must be applied for by the injured or ill worker by filing a Labor and Industries' claim through their medical provider.

**Note:** Accidents or incidents involving vehicles still require that a SF 137 – *Vehicle Accident Report* be filed with the Office of Risk Management.

### ***What Action Needs to be Taken When Completing Accident/Incident Claim Forms***

- First, ensure ***prompt*** preparation of all necessary forms.
- Fill out the forms completely, ensuring all blank spaces have adequate information.
- Include (or request) a copy of the police report.
- Obtain appropriate signatures and date the form.
- Ensure the form is transmitted to the proper person for review and/or filing.
- Require manager or supervisor involvement in the investigation.



## ***What Forms Does the Office of Risk Management Provide?***

The Washington State Office of Risk Management uses the following forms for claim processing:

- ***Standard Tort Claim Form SF 210***

Used by a claimant to report an incident and resulting damage, alleging tortious activities of the state or an employee. The claimant should complete the form and forward it to the Office of Risk Management for processing/investigation. This form is to be used when the claim relates to situations that ***do not*** involve the operation of a vehicle ***by a state employee***.

- ***Claimant's Report of Accident SF 138***

Used to report a claim for damages sustained by a claimant which results from the ***operation of a vehicle by a state employee***.

- ***Vehicle Accident Report SF 137***

Used by the Office of Risk Management to record information about damage caused to any vehicle operated ***on state business by an employee of the state***. This form should also be used if the accident involved a ***privately owned vehicle operated by the state employee***. The form is to be completed by the employee and driver, and is to be reviewed and signed by the employee's supervisor. The completed form is sent to the Department of Transportation for processing.

- ***Standard Accident/Incident Report Form ORM001 with Photo Sheet***

These forms offer a convenient way for state agencies to record ***factual*** information relating to non-vehicle accidents or incidents. The photo sheet should be used whenever photographs are taken. If a tort claim is filed, this information should be made available to the investigator or assistant attorney general assigned to the claims investigation.

*Notes*



# FOCUSED AREAS OF RISK E-RISKS



## ***Introduction***

Communication and information developments have unfolded over centuries and indeed millennia. But the last twenty years has brought an explosion of advancement with continual and monumental changes in technology. While in most instances, technology risk types and approaches for avoiding them are no different than for other state government risks, there remains a challenge to accentuate loss prevention in this arena.

Professionals in the e-risk business stress that perhaps the biggest risk to manage in technology is ***unfolding change itself***.

## ***Background: Technology in Washington State Agencies***

Managing e-risks in state government begins with understanding the Legislature's intent and direction for communication and information technology. RCW 43.105 outlines the authority, duties, and responsibilities of the Department of Information Services (DIS) for providing the framework for technology use and operation in state agencies, universities and colleges, and K-12. DIS was established in 1987 by the Legislature at the request of the Office of Financial Management.

There is also an Information Services Board (ISB). The ISB serves as the state policy-making body for information technology, with members from cabinet and non-cabinet agencies, higher education, and judicial and legislative areas. A historical chronicle of DIS' role as it evolved to keep pace with technology advances is available at their web page at [www.wa.gov/dis/role/authorizing.htm](http://www.wa.gov/dis/role/authorizing.htm).

## ***IT Guidance for Agencies: DIS Provides Policies, Standards and Guidelines***

DIS maintains an "IT Portfolio" (policy, standards and guidelines) for information technology. The Portfolio is a strategic management process documenting technology investments. More detailed information about the portfolio is found at [www.wa.gov/dis/portfolio/index.htm](http://www.wa.gov/dis/portfolio/index.htm).

DIS helps agencies evaluate potential portfolio entries against criteria set out in ***severity and risk matrices***, found in the IT Portfolio Structure and Contents Standards. This comprehensive assessment tool is in Appendix A in the Contents and Standards section, which can be accessed at [www.wa.gov/dis/portfolio/itportfoliostructureandcontentstandards.htm](http://www.wa.gov/dis/portfolio/itportfoliostructureandcontentstandards.htm).

## ***Notes***



Similar to the general risk assessment matrix shown on page 37, this e-risk severity matrix helps agencies assess potential risk (high, medium, and low) at the outset, looking for four factors: impact on citizens, visibility to the public and Legislature, impact on state operations, and the consequences of doing nothing. The risk level criteria matrix provides a mechanism to help gauge the impact on projects on the organization, the level of effort needed to complete the project, the stability of the proposed technology, and overall agency preparedness.

By providing these planning tools for agencies, DIS embraces the essence of loss prevention by encouraging extensive risk evaluation even **before** a project begins so that mitigation strategies can be engineered throughout the project development and implementation stages.

### ***E-Risk Analysis***

Discussion in both cyber and insurance circles continues on whether self-assessment of e-risk is simply included with the overall self-assessment process, or should in some way be treated through a more specialized process. Answering this question will be an agency's first step in the self-assessment process of e-risks.

### ***Assessing the Need for an E-Risk Self-Assessment Team***

Some cyber experts recommend developing a team of in-house e-business specialists. Suggested members include:

- Risk and Safety and Health Managers
- Internal Auditor
- Legal Specialists (Attorney General)
- Technology Specialists
- Security Specialists
- Marketing/Media Specialists

Note: This team of "specialists" could provide an agency-wide risk self-assessment as well.

### ***Notes***

## ***E-Risk Types***



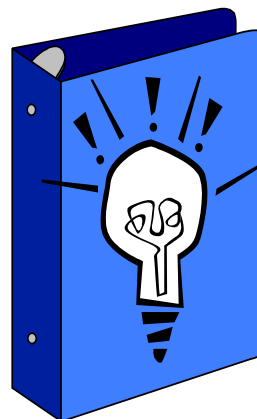
As with all risks, the type and amount of communication and information technology in each agency will vary and will determine how extensively this area needs to be evaluated. The following are very broad areas of potential risks that agencies can use to begin this assessment process:

- ☐ Damage to Hardware, Software and Systems (accidents, natural disasters, human error or misconduct)
- ☐ Intellectual Property Issues (i.e., unauthorized use of a domain name, plagiarism)
- ☐ Unauthorized/Criminal Acts by Agency Staff (theft, embezzlement, extortion, pornography files, etc.)
- ☐ External Criminal Acts (saboteurs)
- ☐ Hacking Attacks to the System
- ☐ Viruses
- ☐ Public Relations Liability
- ☐ Privacy Violations
- ☐ Product Liability
- ☐ ADA Issues, particularly as Pertains to Access to Communication /Information Technology
- ☐ Lack of or Inadequate Crisis (Emergency/Recovery) Management Plan
- ☐ Protection of confidential information/data provided by others (i.e. credit cards)
- ☐ Agency website advertising

## ***Notes***



# ADDITIONAL RESOURCES



In addition to existing material, this Additional Resources section is provided for agencies to place any new information or tools obtained pertaining to risk self-assessment.

Agencies may also find this section helpful for placing agency-specific information or tools pertaining to risk self-assessment.

# Professional Risk Management Organizations and Other Sources for Risk Self-Assessment Information



## *State of Washington Government Sites*

- <http://access.wa.gov/>  
This is the main portal into the listing of all Washington State Government agencies.
- <http://hr.dop.wa.gov/training.index.htm>  
The Department of Personnel offers a full range of training and development services for Washington State employees, managers, and agencies. Many services are also available to other public sector organizations. The umbrella of services includes the former Employee Development and Training Program (ED&TP), Management Education and Development (formerly WMS training), specialized training programs, and organizational development services. Programs that interface with risk management needs include:
  - ✓ ELearning Network
  - ✓ Human Resource Education and Liability Prevention (HELP Academy)
  - ✓ Investigator Training Program
- <http://www.wa.gov/wtsc/>  
The **Washington Traffic Safety Commission** focuses on collaboration among state, federal, and local partners being the key in designing and implementing successful traffic safety programs. Each year the federal government allocates part of the Federal Highway Trust Fund to the states to carry out highway safety programs. The Washington Traffic Safety Commission (WTSC) has administered these funds and facilitated these efforts in Washington state since 1967.
- <http://www.lni.wa.gov/IPUB/101-041-000.htm>  
The **Department of Labor and Industries (L&I)** delivers a diverse array of services to its customers - Washington's 5 million citizens, 150,000 employers and 1.9 million workers. Divided and scattered statewide across six regions and 22 service centers, 2,500 employees provide services in the communities where our customers live and work. This local emphasis enables L&I to customize services on the basis of needs, resources and expectations found in the regions. L&I, the state's third-largest agency, has central offices in Tumwater. This website lists the field locations and gives an overview of their diverse services. Major categories of services include: workplace safety and health (consultation and inspection); workers' compensation premiums and claims (including the retrospective rating program which many state agencies participate in); specialty safety inspections for boilers, elevators and electrical, registration of contractors, prevailing wage on public sector projects and child labor; apprenticeship programs.... and more.

## *National Sites*

- <http://www.riskinstitute.org>  
**Public Entity Risk Institute (PERI)** - Provides a variety of materials and resources on the subject of risk management. On their website "*publications, tools and resources*" is a document pertaining to risk self-assessment entitled, "*Risk Identification and Analysis: A Guide for Small Public Entities*". In spite of its reference to "small entities", it provides information that any sized agency or college would find helpful. In addition to information on the self-assessment process, it contains various charts and matrixes that can be used for identifying agency exposures and risk mitigation strategies. A copy of this Guide can be requested or downloaded from their site.

- <http://www.strima.org>  
The **State Risk & Insurance Management Association (STRIMA)** brings together risk and insurance managers of state government into an organization to promote the advancement of risk management principles and practices in the public sector. The state membership exchanges information, facilitates training opportunities and promotes the highest level of professional and ethical standards. They invite non-state members to browse the non-state member areas of the site. You will find resources of interest to the risk management community.
- <http://www.rims.org/content/Resources/resources.htm>  
The **Risk and Insurance Management Society, Inc. (RIMS)** is a not-for-profit organization dedicated to advancing the practice of risk management, a professional discipline that protects physical, financial and human resources.
- <http://www.primacentral.org>  
The **Public Risk Management Association (PRIMA)** is a nonprofit association offering risk management educational programs, management information, and publications to people involved in public sector risk management.
- <http://www.agrip.org>  
The **Association of Governmental Risk Pools (AGRIP)** is an organization whose purpose is to advance the concept of pooling as well as replace the PRIMA Pooling Section was disbanded on January 1, 1999.
- <http://www.eriskcenter.org>  
The **Risk Management Resource Center (RMRC)** provides information that helps local governments, nonprofit organizations, and small businesses manage risks effectively. By making risk management knowledge and practical information available online, they hope to help you protect your organization. Their intent is to support anyone whose job involves protecting the people, property, assets, reputation, financial health, and services of his or her organization.
- <http://www.prdp.org>  
The **Public Risk Database Project (PRDP)** is a nonprofit corporation created to collect, compile, and disseminate liability and workers' compensation loss and other information for state and local governments and risk pools. The organization's primary objective is to create a national database (PRDP's Data Exchange®) that will help public officials improve the performance of their risk programs, make better policy decisions and control risk financing losses.
- <http://www.sra.org/riskanal.htm>  
The **Pacific Northwest National Laboratory and the Columbia-Cascades Chapter of the Society for Risk Analysis** have set up a risk analysis Internet mailing list, as a service to the international risk analysis community. Any messages sent to the mailing list will be re-broadcast to all subscribers to the mailing list, either periodically, in digested form, or immediately.

## ***International Sites***

- <http://www.riskmanagement.com.au/>  
**A Standards Australia Portal on Risk Management.** Contains a variety of risk management information from around the world.

- <http://www.sra.org>

The **Society for Risk Analysis (SRA)** provides an open forum for all those who are interested in risk analysis. Risk analysis is broadly defined to include risk assessment, risk characterization, risk communication, risk management, and policy relating to risk. Their interests include risks to human health and the environment, both built and natural. They consider threats from physical, chemical, and biological agents and from a variety of human activities as well as natural events. They analyze risks of concern to individuals, to public and private sector organizations, and to society at various geographic scales. Membership is multidisciplinary and international.